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BANKERS AND FINANCIERS

COMPRISING

ADDRESSES UPON SELECTED FINANCIAL SUBJECTS, AND ALSO A SERIES OF PAPERS ON BANKING IN THE SEVERAL STATES AND TERRITORIES, PREPARED BY DELEGATES SPECIALLY APPOINTED BY THE GOVERNORS.

PRESENTED AT ITS MEETING IN CHICAGO, JUNE 19 TO 24, 1893, HELD UNDER THE AUSPICES OF THE WORLD'S CONGRESS AUXILIARY OF THE WORLD'S COLUMBIAN EXPOSITION, IN THE WORLD'S CONGRESS ART PALACE.

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NOT THINGS, BUT MEN.

THE WORLD'S CONGRESS AUXILIARY

OF THE WORLD'S COLUMBIAN EXPOSITION

OF 1893.

NOT MATTER, BUT MIND.

President, CHARLES C. BONNEY.

Vice-President, THOMAS B. BRYAN. Treasurer, LYMAN J. GAGE.

Secretaries, BENJ. BUTTERWORTH, CLARENCE E. YOUNG.

THE WOMAN'S BRANCH OF THE AUXILIARY.

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DEPARTMENT OF COMMERCE AND FINANCE.

INCLUDING THE GENERAL DIVISIONS OF BANKING AND FINANCE, BOARDS OF TRADE, RAILWAY COMMERCE, WATER COMMERCE, INSURANCE, BUILDING AND LOAN ASSOCIATIONS, AND MERCANTILE CREDITS.

LYMAN J. GAGE, *General Chairman.*

GENERAL DIVISION OF BANKING AND FINANCE

General Committee on a World's Congress of Bankers and Financiers:

LYMAN J. GAGE, *Chairman.*

GEORGE SCHNEIDER, *Vice-Chairman.*

JOHN J. P. ODELL. ORSON SMITH. E. G. KEITH.

CLINTON B. EVANS.

PREFACE.

THIS volume contains the addresses and papers presented at the WORLD'S CONGRESS OF BANKERS AND FINANCIERS, which convened in Chicago on June 19 and adjourned on June 24, 1893. This Congress is one of six congresses making up the Department of Commerce and Finance in the general programme of the World's Congress Auxiliary of the World's Columbian Exposition. As formulated by the president, the Hon. Charles C. Bonney, the "leading idea of the world's congresses of 1893 is to bring the leaders of human progress from the various countries of the world together at Chicago during the season of the World's Columbian Exposition for the purposes of mutual acquaintance and the establishment of fraternal relations; for the presentation of the best thought of the world upon the leading questions in every department, and the suggestion of means by which further progress may be made." In the organization of the World's Congress of Bankers and Financiers, the committee in charge, of which Mr. Lyman J. Gage was chairman, followed the lines laid down in the above quotation. Invitations in English, French, German, and Spanish were sent to the bankers and banking houses throughout the world. The governments of foreign countries and of the several States of the United States were invited to send accredited delegates. Subjects covering the field of banking and finance were marked out, and sent to all those who had made the subjects a study, inviting them to prepare papers or addresses, or to suggest additional topics for the consideration of the Congress. The readers of this volume will be able to judge in what degree the efforts of the commit-

tee were successful. The year 1893 in the United States has been a very exceptional one in financial matters. From the very commencement there has been great uneasiness, culminating in many failures of banks and private firms. The gradual loss of confidence in the power of the United States Government to maintain its currency at par with gold unsettled the public mind, and sharpened the scrutiny into the fidelity of the execution of all trusts. Wherever weakness, real or fancied, in a bank or private firm attracted attention, there the depositor, or *cestui que* trust, did not hesitate to demand a settlement, with disastrous results in no insignificant number of cases. The banks and bankers of the world in times like those which have prevailed during the present year, even the most solvent, are condemned to exercise active and persistent vigilance to protect their own interests and those of others, and in such times the attendance at congresses of the greatest interest and importance must necessarily be small. The same cause that reduced the expected attendance at the World's Congress of Bankers and Financiers has also reduced the number of addresses and papers, and consequently the range of subjects treated. Under all the circumstances it is remarkable that the attendance proved so great as it did, and that so many papers containing information upon so many financial topics were presented to the Congress. Nearly every State and Territory in the United States was represented by one or more delegates, and many representatives of foreign banks and countries were present at the sessions and manifested a great degree of interest. The circumstances of the times are naturally reflected more or less in the ideas of those who appeared before the Congress. The subjects of banking, both abroad and at home, and of the standard of value, are ably discussed, and readers can not fail to find that every shade of reasonable opinion is represented.

Particular attention is called to the interesting and valuable papers prepared by the delegates from the several States and Territories of the United States specially appointed by the governors for the purpose. Many of these papers contain historical facts as to early banking never published before in regard to banking in the States and Territories, and all of them give information worthy of close attention in regard to the financial resources of the political divisions considered.

With the exception of the general opening of the Department of Commerce and Finance, the regular programme of the Congress of Bankers and Financiers began on Tuesday morning, June 20th, and continued until Saturday, June 24th. There were two sessions each day except Thursday and Saturday, when there was but one.

L. J. G.

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World's Congress of Bankers and Financiers.

OPENING OF THE DEPARTMENT OF COMMERCE AND FINANCE.

ADDRESS OF PRESIDENT BONNEY.

THE greatest idea in the business world to-day is the idea of fraternity and co-operation. We have reached a stage in the evolution of the business world in which the fierce and deadly strife for supremacy, called competition, in which the stronger build up prosperity on the ruins of the weaker; and that next natural development, the substitution of gigantic combinations for competitive strife, are giving place to a third advance, the one of all destined to be enduring, the stage of co-operation. I am well aware that at first glance it would not be supposed that banks, and insurance companies, and railway corporations stand as representatives of co-operation; but I trust it will be shown in the congresses now about to be held that this is strictly true. Of all the institutions of co-operation yet invented, the ordinary banking institution stands pre-eminently the first; for what is a bank but a co-operation on the part of its customers in contributing their respective deposits into the hands of the managers and directors of the banks, in order that the funds so contributed may be advanced to the deserving manufacturer or merchant or carrier to facilitate the transaction of his business? And, curiously enough, that one class in which, perhaps, the most prejudice, if not hostility, exists in relation to financial institutions, the agricultural class, is the

one which most needs the aid of monetary institutions. The farmer is able to obtain the means from his country store-keeper to plant and sow his crops, to clothe and feed his hands, and wait till the sale of the products enables him to make payment, because the country merchant is given a corresponding credit by the country banker, who in turn is aided by some bank of one of the great financial centers of the country.

I trust that this Congress on Commerce and Finance will aid in bringing financial institutions into closer sympathy with the people of the world, and in dispelling unfounded prejudices in regard to their relations.

But is the grain exchange entitled to a place in the list of co-operative institutions? Put the grain exchange out of existence and there would be no means by which the producer in Illinois, or Alabama, or Austria, or any other country could ascertain the current range of prices, the state of the demand, and the sources and abundance of the supply. In the great grain centers of the world alone is the business conducted with such general publicity that all changes in prices are instantly known, and instantly telegraphed all over the world. Into these great markets the producers of the world may bring or send their products, to meet the buyers of the world, either in person or through their representatives. The grain exchange therefore stands as that means by which, better than any other yet devised, the producer and the consumer may be brought together in the best relation for fair dealing with each other.

But the railway corporation of the present age — is not this surely a "giant oppressor"? Without the railroads of the world it would have taken more than ten centuries to reach the present condition of mankind. To take away railways would be practically to bind men to the localities in which they were born, and where most of them would die without ever having seen any considerable part of the world. Take the railways out of existence and this vast territory, that is called the garden of the world, would not

be crowded with a thriving population as it is to-day. This is not saying that every banker, or grain exchanger, or railway manager, or merchant has always conducted his business according to angelic principles; for if he had, he would find himself in a world to which he would not be altogether well adapted. It is enough to say that, as a rule, they have averaged well in the service of the general welfare. But insurance companies—what relation have they to the great current of the business of the world? Here, also, the supreme principle of co-operation has asserted its sway. The insurance company is a device by which many contribute small sums of money for the purpose of paying the losses which the few will suffer. In this way alone can the risks incident to modern commercial and financial operations be adequately met. In this way alone can the many practically contribute to reimburse the losses which otherwise would crush and destroy the few on whom they fall.

Transportation could not be conducted on its present great scale, either by water or by land, if this mode of protecting the property in transit and of distributing the losses in case of damage or destruction were not in operation.

One of the latest devices brought into this field of co-operation is the building association, in which precisely the same principles that have been described are applied to the procuring of homes for the customers of these institutions. In this way, again, the earnings of the many are brought together into a common fund for use by those who need them. Those who have funds to advance contribute them in order that others may borrow, and apply their earnings to repayment in place of rent, until they become home-owners instead of home-renters.

Here we again recur to the supreme and all-controlling principle which sooner or later will bring the whole business world into a condition, not only of thorough organization, but of thorough and friendly relations, and of genuine co-operation. No bank can long thrive except its customers themselves be prosperous. The banker can not take

the substance of his patron, beyond the proper measure, without becoming the foe instead of the friend of the customer, and the ruin of the latter means in the end the injury of the former. No railway line can long thrive unless it be at peace with those who desire to have their property and persons transported along its lines. And the same principle applies to the merchant, the building association, and the insurer. There can be permanent success only when the principles of candor, fair dealing, and honest compensation prevail between those who administer these great agencies of modern civilization and those who serve or patronize them.

Water commerce was to have constituted the seventh general division of this department, but because of the intimate relation between the subject of water commerce and enlargement or construction of water-ways, assigned to the department of engineering, the former was transferred, at the joint request of the authorities in charge of the Engineering congresses and those in charge of the Water Commerce Congress, to the latter department, which will hold its congress in the week commencing the 31st of July. This leaves six congresses in this department to be held during the present and the following week.

As a concluding thought I will offer you the suggestion, or reminder, that these great agencies of modern commerce and finance largely hold in their hands the peace of the world. No nation can make war against the will of the men who hold the money of the world, and when the great powers of commerce and finance take their stand on the side of peace, they can do as much to command the peace of the world and stay the havoc of war as any other human agencies. And when these powers are united with moral, social, and religious influences working in this direction, there can be little cause for fear.

It only remains for me to extend to you, as I now do, a most hearty and earnest welcome, on the part of the World's Congress Auxiliary, to the congresses of this department;

on the part of the city of Chicago, to its hospitality; on the part of the State of Illinois, to the great fields in which all the powers of commerce and finance have made wonderful developments; and on behalf of the Government of the United States, which has authorized us to speak in its name, I wish you in these congresses, not merely success, for that is already assured, but that you shall have the satisfaction, when these congresses shall have been brought to a close, of feeling that you have materially influenced the public opinion of the world in favor of just dealing and upright conduct in the business world, and the peace and prosperity of all peoples.

The general chairman of the Committee on Organization, in charge of the general division of banking, is the Hon. Lyman J. Gage, ex-president of the World's Columbian Exposition, and president of the First National Bank, whose name is widely known as a synonym of enlightened and successful finance. I now have the pleasure of presenting to you Mr. Gage, who will speak to you on behalf of the Bankers' Congress.

Address of Mr. Lyman J. Gage.

I have purposely avoided preparing any formal address. I have avoided it because I have discovered that, many times, formal addresses are altogether too formal. According to my own theory, the thing that a company like this need the most, coming as they do from widely separated sections, each one somewhat distrustful of his own individuality, but having great respect for the individuality of everybody else, feeling that he is an onlooker and not a partaker in the entertainment; the first thing needed in every gathering of this kind is for everyone to feel that he is a part of the great whole, an essential and important factor in it; that as he takes part and contributes his share, so he does his fair share of the work. Now I am glad to meet you here. I speak it from an honest heart, because this gathering, and others that have been before it, and

others that will come after it, are the fruit of many hours of anxious thought and inquiry on the part of my associates and myself, who for three long, weary years have borne the burden of preparation for this great celebration, which finds its material expression on the shores of Lake Michigan, and will, I hope, find a fitting intellectual expression in the congresses which have been provided for at this time.

The particular field to which we are now invited embraces that department of life which stands between the two great elements production and consumption. We represent, all of us who are here, probably, what is known as the middle class, the non-producer. We stand between those who do produce and those who do consume. We are the result of a long period of evolution; and as nature is true to herself, it is probable that the present arrangement, by which the thing which one produces is transferred by many agencies to the man who consumes, is the best device that nature is capable of.

I know that we are looked upon with contempt in some quarters. They say, "You sow not, neither do you spin," and the orator often indulges his gifts in denouncing all those who, he says, are consumers of wealth, but who add nothing to the social store. They call you parasites and drones. One object, I think, of this convocation, or these convocations, is to show to the world the reason for your being. It is fair that you should do so. The functions that you fill, and that are enumerated under these consecutive heads of banking, railway commerce, boards of trade, insurance, commercial credit, building and loan associations, are all useful, in fact they are all indispensable factors in the living of man upon this earth. But the world don't know it. It is for us to exemplify as well as we can, not only here, but elsewhere, the office that we perform, and show society that we do a genuine and real and indispensable service.

Of course we have our criticisms. I could make them upon banking, upon the various systems. I could indulge

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my fancy in holding up for our amusement, perhaps, the peculiarities of some who officiate in the domain of banking. No other field is entirely free from imperfection. There is room for great improvement, and it is for those who carry the responsibility, who minister in these different fields, to look over the departments to which they are related, and endeavor to find a better road, a safer path, a line of better and higher usefulness.

I have often thought about the insurance man, that I would like to have him get a better average between the solicitor of insurance, who comes with smiles and blandishments, and the adjuster of insurance, who comes later on, when the loss is made, and with stern look and many criticisms at the form of contract which you have, he convinces you almost, before you are through with him, that you have no claim whatever upon the insurance company.

I have the greatest respect for the carriers, those who transport commerce over lands and across seas. To my profession they are the most useful imaginable. They furnish us with a bill of lading which transfers to the banker who advances the money upon the property while it crosses the seas, the ownership of the property conveyed. But we sometimes discover in that contract a multitude of whereases and conditions and preambles, and they are in print so fine that when a banker comes to my time of life he says, "I guess that is all right." But when the property goes astray the carrier carefully calls his attention to certain finely printed conditions there, whereby they are not responsible.

I myself am a defender of the operations of the board of trade. I believe, as the president said, that their function is indispensable; and while I do not believe in speculators, I believe in speculations. You can adjust the difference to suit yourselves.

The section of banking, to which I more immediately stand related, begins its meetings to-morrow morning at 10 o'clock. I hope that you who represent banking from the various regions of the country will all be in attendance

there. I hope you will all come with a spirit of freedom and frankness. I wish you bankers would take this thought into your mind — it is a true thought — that the good things of this world, the great events of this world, the inventions of this world, the reforms which have come to society, have not generally come from those who are known as leaders, nor the great of the earth. They have sprung up from the more humble ranks. They have come from the men who used their minds to reflect, the man who was himself distrustful of the value of his own thought, or his own invention, or his own reform. So let me enjoin upon all the bankers who will take part in that series of meetings the greatest freedom and sense that it is yours, that your thought is yours, and the value of it you yourselves can never estimate.

I believe also in freedom of thought. I believe in the greatest liberty of discussion. I believe in the toleration of opinion. I am not afraid of any kind of a moderate sort of a crank; I am willing to hear him. [Applause.]

Let me again, in closing these informal utterances, express my gratification and the gratification of the committee that I have the honor to represent in meeting you here. This is the first time that I myself have been inside of these walls, whose erection we have watched for so many months, doubtful whether in eight or nine months, which has been the time that the erection of the building has occupied, it could be completed for this series of congresses. Chicago is glad to have you here. If she is nothing else, she is hospitable. She is composed of representatives from the whole face of the earth. I know them well. I have lived here nearly forty years, and in the hearts of Chicago people as a whole there beats the blood of fraternity and hospitality and mutual regard, and in their name I feel assurance in bidding you welcome here, and asking you to enjoy the freedom of the city. [Applause.]

OPENING OF CONGRESS OF BANKERS AND FINANCIERS.

ADDRESS OF MR. LYMAN J. GAGE.

THIS department has been visited with a grievous disappointment by a telegram from the Hon. John Sherman instead of his actual presence. The committee was fully justified in announcing his appearance here, as he fully expected to be here the latter part of last week and this week, and we relied on the promise which he made to take part on this occasion in these proceedings; but matters which to him, I suppose, are superior in the nature of their demands have kept him at home, and we have a telegram instead. I am sure you will sympathize with the committee, as the committee sympathizes with you; but all of us, I guess, have lived long enough in this world to know that it is made up more of disappointments than it is in the realization of cherished hopes.

As chairman of the Auxiliary Committee, having in charge the preliminary arrangements for the series of meetings which you are about to inaugurate, it may not be out of place if I take your time for a few words of explanation.

Human society has now reached a point from which it may be seen that no exposition of mere material products of industry, art, or science, nor of all these combined, can adequately show forth the achievements of man, the present status of the race, nor its reasonable expectations of future progress. There is a field, a very large one—perhaps the most important of all—affecting deeply the welfare of man, which is not illustrated in created form, but finds its expression in law, literature, and philosophy. We are now beginning to comprehend that behind every physical creation there are hidden laws, rules, or principles—unwritten, but

all-powerful; that usefulness, beauty, and perfection in physical things are realized in the degree that the true nature of these governing principles are recognized and obeyed. The same truth exists in equal power when we regard man, not in his relation to physical facts, but in his relations to his fellows, in all the multiplied ways in which those relations exist. How to act, how to use, how to perpetuate and enjoy are questions not less important than how to create, how to have.

We find ourselves in a world of duties and responsibilities, of blessings and of penalties. We act and react upon society, and society reacts upon each and every one of us. In every department, however obscure, where a group of men find themselves, there exists, whether discovered or not, a true, an ideal, system of relationships. After a somewhat blind fashion, this has long been recognized. The governors of the earth, kings, rulers, and parliaments have uttered decrees, and endeavored to enforce by authoritative edicts their arbitrary, but often unscientific, conceptions. So far they have made comparatively bad work of it. Nature will not permit her own wise counsels to be set at naught at the mere behest of any human power. Prisons, poverty, intemperance, crime, injustice, fear, mutual distrust, and hatred are the most striking and painful phenomena of the closing years of the nineteenth century, as they were of the so-called Dark Ages. Nature will not suffer herself to be coerced, but she willingly yields her most valuable secrets to the patient solicitation of those who diligently inquire. After many generations she told the engineer that one ounce of coal could be made to carry two tons of merchandise one mile, and then, to make the gift perfect, she furnished the coal. To the bewildered mariner she finally revealed this formula: Balance upon a delicate point a narrow, thin strip of magnetic iron — it will always seek a northern and southern pointing; by its aid find your way across the trackless seas. In a like liberal spirit, she has whispered to the meek and patient student of the stars the

secrets of the stellar universe. She has told the chemist how to make her deadly poisons alleviate pain, and restore health to body and mind. And lastly, she has taught us, through the aid of steam, how to transport food from regions of plenty to lands of want and famine. With these demonstrations of her generous disposition, we can not doubt that, in the moral and social field, the rewards of a teachable and inquiring spirit will be equally beneficent.

It is with supreme faith in this proposition that the World's Congresses of 1893 have been inaugurated. Covering nearly every phase of human thought and interest, it may be hoped that these will take their place in history as the most honorable and useful features of the great Exposition, which gratefully celebrates the triumphs of the world-finder in his noble effort to wrest from nature the then untold story of her mighty possessions beyond the seas.

In the section of banking and finance, to which your convocation the more immediately relates, we enter a department of the highest importance. Perhaps in the whole field of human relationships to which I have alluded none are more delicate than those which we occupy. I have said that behind every material creation there were the physical laws operating upon it, and that back of all relationships there was a true, or ideal, principle governing these relationships. What are these laws and principles as they affect and finally govern us? It is in the name of this inquiry that we meet.

The main question is divisible into many sub-inquiries, and these truly answered, and then logically related as a whole, are the final answer to the first general question. These subdivisions have to do with money, its nature and functions, especially as to its influence upon labor, its power to exchange the products of industry; the effect of the rising or falling volume of the world's supply; the economical value of a single or double standard; the nature and value of paper money or credit money, as distinguished from real or metallic money, in its economic influence; the

functions and office of credit, and the dangers, if any, to which its unwise use may lead; the duty and office of the banker, as an intermediary in the fields of credit and industrial exchanges, and the true laws which govern him in his action. But this list of subdivisions might be almost indefinitely extended.

We have met at a time when a peculiar interest attaches to all these forms of inquiry. There has lately swept over the land—nay, over the whole world—one of those reactionary waves which bring painful anxiety to all, loss and ruin to many. This phenomena may be regarded as Nature's all-powerful protest against methods based, not on her imperial wisdom, but on fallacious and vain imaginings. Under the rod of discipline, we do well to inquire as to the manner and extent of our transgressions, and to seek for the future ways of safety and peace.

I can not attempt to make practical application of these remarks. It would hardly be proper that I should anticipate discussion. The whole field is before you, and we are gratified in believing that men of knowledge and experience will here be found to give to us and to the world the benefit of their careful study and thought. I beg your indulgence, however, for the presentation of a practical idea or two, which may not be without some value in the present disturbed condition, so widely apparent.

As an intermediary in the system of credits and industrial exchange the banker finds himself in a position where he can not suddenly and totally cease his vocation without violent shock to that system which his function is designed to serve. In times of fear and panic the temptation is strong for him to do this, however, even to the prejudice of his own interests, as well as to those of others.

Some years since, a banker in a prosperous community in Western New York told me this story:

"In the county where I lived," he said, "there came, at the most critical time of the year, a killing frost, which swept the values from every farm. The community was a

prosperous one generally, owning their lands, and many of them having money in the bank, and quite free from debt. Discovering the loss which had fallen upon the community generally, it occurred to me that it was my duty to immediately proceed to collect all the claims I had, and refuse to lend to my clients, no matter how pressing their necessities, nor how great their ultimate responsibility. Inaugurating this course with a good deal of vigor, I soon discovered that my deposits were rapidly falling. Being the only bank in the community, I soon found that all the claims that I held which were paid were paid by checks on myself, and gathered up by my debtors from members of the community who had funds at rest with me. In short, I discovered that I was putting my affairs into a course of rapid liquidation. I immediately reversed my line of action, things came to a rest, I won back the confidence of the community, and suffered no ultimate loss, and was able to make my usual semi-annual dividend."

I recently heard of a banker in Wisconsin who, moved by similar considerations — a banker of iron firmness — hearing of bank troubles in many localities, determined that he would not lend a dollar, but would collect every claim due him. He enjoyed the entire confidence and respect of the community, being a man of undoubted responsibility; but soon after reaching his determination a man of substance applied to him for a small loan of one hundred dollars. He roughly refused, on the ground that he could not spare the money. The would-be borrower, from whose mind the illusion had not yet been dissipated that a bank was a fountain from which wealth flowed, was shocked, surprised, and pained. He went about among other members of the community expressing his grief that his banker was in such a distressed situation. Certain depositors put their own construction upon the meaning of all this, and within a week the banker himself was a humble borrower in Chicago, having paid in hard cash twenty-five per cent of his liabilities to the community, who had lost faith in him.

An incident to the contrary, showing the power of a little money in the work of liquidation, is in pleasant contrast.

After the panic of 1873, I visited a not far-distant town of moderate size, and from the most important merchant in the place I heard this story:

"For a week or ten days during the panic," he said, "business here came to a standstill. We did absolutely nothing. But one day we received a one hundred dollar bill by express from a distant town, with the direction to credit it upon the open account of the sender. We looked at the bill with interest and curiosity, and, after conferring together, concluded to send it to Mr. A., to whom we owed a small account, knowing that he was in need. About three o'clock in the afternoon a wagonmaker in the village came into our office with a broad smile upon his face, and said: 'I am glad to pay you one hundred dollars on account. It is the first money I have seen in a good while.' We took the money from his hand, and discovered it to be the same note we had received by express in the morning. We asked him where he got it, thinking he would reply that he received it from Mr. A., to whom we had paid it. He informed us that he had received it from Mr. E. We then followed the history of the note back, and found the facts to be that it had paid us one hundred dollars of debt in the morning, and had liquidated six other debts of one hundred dollars each during the day, and in the afternoon it had come back to us, liquidating another debt of one hundred dollars, and we still had the note on hand for fresh operations to-morrow."

These incidents carry their own suggestions, and need no enlargement.

On behalf of the committee which I have the honor to represent, I have to express our sincere thanks to the many who have favored us with their acceptance to this gathering. Oppressed with multiplied duties in other directions, the committee has not been able fully to realize in the arrangement of the programme what we had hoped. We

feel assured, however, that with so good a basis to start from as the programme now provides, there will be no difficulty in developing both subjects and speakers to fully occupy the time that can be devoted to your sessions here.

It is not the intention to fill the hours of the day and evening so completely as to shut you off from the privileges and delights of the White City just to the south, whose rising spires, noble domes, beautiful façades, ornamenting grand buildings filled with the garnered treasures of all the earth, will enrich your visit here with happy and lasting memories.

Mr. Charles Parsons of St. Louis, a gentleman well known to the banking fraternity of the United States for many years, has kindly consented to act as permanent chairman of the Congress, and I now beg to put into his hands and into yours the great interests which you are here to represent. [Applause.]

Address of Mr. Charles Parsons.

When I was solicited to occupy the position of permanent chairman of this Congress it was not the understanding that I was to make a speech. It was the understanding that I was to come here and preside over the intelligent gentlemen who from all parts of the country, we hoped, would be present. It is a matter of profound satisfaction to me that there are so many bankers here who are not in any way pledged to be making up their fences, as the politicians call it, at home now. I am therefore happy because I wish to do honor to this place which has so wonderfully and remarkably prepared for us a treat beyond all expression. I wish, however, to say a few words, mostly in compliment to this imperial city of Chicago, and I say imperial city because it is, at least, the imperial city of the western portion of the United States.

We are assembled here in this imperial city of Chicago — the astonishment and the wonder of the world for its vastness, for the rapidity of its growth, the grandeur of its

business achievements, and still more by the marvelous Exposition now open to inspection to excite the admiration and intelligent praise of the civilized world.

In 1830 Chicago did not exist; only then was the surveyor at work laying out lots for the settler of the new town. I recollect 1830 quite perfectly, and that year is doubtless within the memory of many who are present, who have seen the seed then sown from which has fructified and grown this great city. In the Old World, and in times when despotic power governed, great emporiums grew up at the nod and call of the despot that ruled — Babylon, Nineveh, Memphis, and Thebes were born and grew great because the monarch there fixed his throne, and wringing the unwilling taxes and tribute of hundreds of provinces from their people, brought all to his chosen residence and spent it in the barbaric splendor of his royal court. New days have dawned on the earth. Liberty, walking thus forth in the second morning of the world's birth, clad in glorious garments bright with intellectual and moral light, resplendent in the sun of a new-born principle, has shed a new luster on life, has changed the old modes of thought, of living, of world-building, and development.

So, growing up from a prairie swamp, we see this city of twelve or fifteen hundred thousand inhabitants, with size, style, and construction which in the past were not equaled by the great capitals of the Orient in the greatest of barbaric ages; and when we come to consider the comfort and happiness of the masses, despite all the croakings of pessimists, of politicians, and anarchists, no time in the world's history is so pleasant as this, no place more remarkable than Chicago — and now comes forward this city of sixty-three years' growth, this exhalation from the borders of Lake Michigan, to do honor to the discoverer of a new world. No prophetic eye belonged to Columbus; he never cast his vision down the long vista of time to see the magnitude of the work he commenced. The great mariner of the caravels, the friend of Isabella, died without accomplish-

ing his great design of reaching India by sailing west; he little thought of the fame that was in store for him. Now, in connection with and at the invitation of these people here, who have done so much and have made such grand preparation for this event after four hundred years of world-waiting, we come to celebrate the anniversary of America's discovery. Spread before us is the fairest sight that ever the vision of mortal beheld. The wonderful architecture of classic Greece and Rome, together with all that the cunning brain and hand of man has thought of, discovered, and done in eighteen hundred years in the builder's art, has been forced to aid in the ornamentation and utilization of the new city in Jackson Park. There the various products of all countries are spread before us: the frailest web that hand has netted or spun, the tiniest spring that ever set time to hours, the most colossal engine that ever started a thousand wheels in motion, the greatest machine of war that dynamic power can utilize to spread destruction and death among a nation's enemies, the most useful inventions that man in all time has conceived to shorten the hours of human labor, be it in the shop of the workman, the husbandman's field, or the housewife's kitchen, are all spread before us to gratify our curiosity and inform our minds. There too are the lovely creations of genius, the work of the followers of Zeuxis and Apelles, of Praxiteles and Michael Angelo, painters and sculptors, men whose thoughts have dwelt on and whose hands have produced perfect forms of life in canvas or marble, or have brought before us with all the vividness of actuality the reproductions of natural scenery.

The vastness of the scene, the variety of subjects, are beyond description. It is safe to say that no such display has ever been made, nor is it likely that within the next fifty years will there again such an inspiring panorama be spread before the nations. There were in the ancient times a sort of expositions, or, as they were called, fairs, at which great numbers of people were attracted together.

Some of them were for a few counties or shires only, but many were for the purpose of attracting large numbers of people from various countries, but they were exclusively for purposes of gain and traffic; no esthetic ideas entered into the heads of their promoters. Now of all the middle-age fairs there only remains the great Russian fair of Nijni-Novgorod, where annually are gathered one hundred or more thousands of people of varying nations and tongues, to buy the furs and precious stones of Siberia, the tea and silks of China, the colors and stuffs of Persia, and the varied products of other countries; living in tents, on boats, and in such houses as are to be had, they there chaffer and trade with all the eagerness of an American stock exchange. But it is only trade. The exposition of modern times is not for trade alone; it is for human cultivation and elevation, as well as the formation of acquaintance between and the opening up of commerce with nations. It is thus on a higher plane than any Old World ideas.

But here now, also, are brought together men and women from various spheres of life to consider problems of science, religion, philosophy, politics, business, and all subjects that greatly interest man. Among those that are to be discussed is one altogether unknown in the days of Columbus, but one which now comes so thoroughly home to every man in our modern life, from the highest to the lowest, that it is forced not alone upon those who are its immediate servants, but upon all — no man can avoid being influenced by the money question.

The magnitude of financial transactions in the world is now beyond, almost, the thought of the mathematician to calculate, or at least contemplate. The world in its exchanges travels on the fleetest ships, and even more rapid than the fabled Mercury, moves on electric pinions with lightning speed over sea and land. Our enormous every-day home money transactions make the least variation in the usual regular current of trade, or in the standard of value, a matter for a million of eyes to see, and as many

minds to study over. A great change in the usual course of money movements, arising from political or other disturbance, may silence the wheels of the artisan, furl the sails of the merchant-ships, or stop the revolving screws of the ocean steamers, and bring in that final result sorrow and starvation to many a proud as well as humble home.

Therefore, so great a subject is well worthy the best thought of the wisest brains, and the most thoroughly trained and experienced mind can find in our topic, and the themes intimately connected with it, the most ample occupation, and room for fullest development.

For this discussion we are now assembled in this financial and banking congress of the World's Congress Auxiliary, and it is our purpose now, in the various aspects in which it may come before us, to receive information, to debate propositions, and generally to consider as intelligently and thoroughly as possible the world's finance. [Applause.]

THE CHAIRMAN: Gentlemen of the convention, I wish now to introduce to you Mr. John J. P. Odell, who is president of the Union National Bank of Chicago, also director in the Exposition, and he will occupy your time for a few minutes interestingly. [Applause.]

WELCOME TO CHICAGO BY MR. JOHN J. P. ODELL.

It is my agreeable duty to welcome you, in the name of the Chicago bankers, to this city, and to extend to you its hospitalities. The performance of a duty is always accompanied by a sense of satisfaction, but this satisfaction becomes a positive pleasure when the duty performed is in accord with one's inclinations and desires. In this case duty and desire go hand in hand. We welcome you among us; we extend to you the freedom of our hearts and homes.

It seems particularly fitting that this Congress should be convened now and here. Now, because at no time during many years have wise counsel, earnest effort, and discriminating judgment seemed more necessary to allay the inflam-

mation of the public mind than at present; and here, since there is no place where the student, the observer, or practitioner can be brought in so close or immediate touch with the problems which will present themselves to you for solution.

Chicago is to be congratulated that it has been able to attract so many eminent men, and you are to be congratulated that the occasion has been made which brings you together. To many of you Chicago has been, until recently, nothing more than a name on the map. To others her history is as well known as that of their own families. The latter have watched the progressive rise of our city with an interest akin to ownership, and we know that the former have but to catch the spirit of their present surroundings to become imbued with the same feeling. We thank our old friends for their kindly interest, and we ask them to enlarge their acquaintance, to get closer to us, with every assurance that with every new step taken by our side there will be born a new tie.

It is not my purpose to traverse the fields of other speakers, but I can not help giving expression to the belief that when the history of this great Exposition is written, the one single feature which will remain, after the pomp and glory of the material show have passed away, will be the work of the Auxiliary Congresses; and among the brilliant jewels that will adorn the diadem the Congress of Bankers will shine forth bright and clear, and to you, gentlemen, will belong the credit of having discovered the gem and set it in place.

In closing I desire to say a single word for my Chicago brethren. Should it appear during your stay that there is any lack of the outward display of the hospitality which we offer you, believe me, the reason for it will be found in the fact that the daily and constant demands upon the time, energy, and patience of the bankers of Chicago, in their efforts to avert the effects of the financial storm which is now in progress, are so great as to leave but scant room for

the exercise of those amenities of life which are so agreeable, but that the spirit of hospitality is present and bids you welcome in our very hearts.

MR. PARSONS: Owing to the unfortunate absence of Mr. Sherman the programme has been changed, and we will hear this morning a lecture upon "The World's Experience in Banking." I have the pleasure of introducing to you Mr. Bradford Rhodes. [Applause.]

THE WORLD'S EXPERIENCE IN BANKING.

By Mr. Bradford Rhodes of New York City.

THE business of banking in its simpler forms is of great antiquity, and was no doubt understood and practiced by the Assyrians and Babylonians, by the Greeks and the Romans. As the taking of interest for the use of money furnishes the chief motive and lies at the root of all banking wherever a people advances sufficiently in the arts of civilization to loan money for hire, there would naturally arise many of the practices and methods that still prevail among the bankers of the present day. Credit necessarily springs up with the improvement of social conditions, and it is but a short step to the invention of devices for the transfer of credit.

Among the ancients there were, perhaps, used instruments similar to modern checks and bills of exchange, but it is the tendency of enthusiastic antiquarian research to magnify the discoveries that seem to place the origin of modern inventions far back in the past. An English writer on the book of Daniel has described the great bank of Babylon, where the firm of Engibi had done business, fathers and sons, for more than two centuries; collecting taxes and tithes, lending money at exorbitant rates of interest, drawing up mortgages on fields, etc. The description of the business shows it to have been a combination of law, real estate, money-lending, and brokerage, rather than a differentiated banking business. The specialization of occupations, professions, and employments had not advanced to the extent known to modern civilization. The wise man of Babylon, as we can see in the case of Daniel himself, was an all-round man; something of a lawyer, something of an administrator, considerable of a priest, an astrologer, mind-

reader, and interpreter of visions and hard sayings as well as handwriting on the wall. A very small proportion of the population were freemen, and a still smaller proportion could freely choose their occupation. These conditions prevailed until comparatively modern times.

Therefore, while it is possible to find the elemental transactions that distinguish banking, even among the earliest civilizations, it is safe to say that in those remote times there were no banks and bankers, in the modern sense, doing an exclusively banking business. There have always been money-lenders, but they loaned their own money, and the modern bank is, on the contrary, an invention for loaning other people's money; a device for economizing the use of money for the benefit of all. The very high rates of interest in ancient Rome and still more ancient Babylon, lasting to comparatively recent times, show that no such invention as a modern bank could have existed as early as is claimed by some. Grass has undoubtedly been cut from the very earliest times, but it would be hard to predicate the ancient origin of the McCormick reaper because of this undisputed fact. The invention of the bank sounded the doom of the individual money-lender, with his cent per cent rates, as the modern mowing-machine has sounded the doom of the sickle, although people so disposed or forced by necessity to do so can still use the sickle and the note-shaver instead of the bank and the mowing-machine.

Great enterprises were no doubt carried on in the past without banks; but Shakespeare informs us to what straits an honest merchant might be put, the return of whose ships was delayed beyond the expected time. Incidentally he gives an object-lesson to be approved by all bankers, proving the dangers of accommodation paper. Antonio's peril must have occurred before the foundation of that great institution which did so much to strengthen the power of the State — the Bank of Venice. If this bank had been in existence we can not conceive of Antonio's stress for a few thousand ducats. The great merchants, the Doge,

and the Council of Ten, who controlled the bank, could not have refused so necessary a loan, and Antonio himself would never have permitted his note to go to protest.

The high interest prevailing before the formation of banks increased the dangers and risks of trade and kept the nations of Europe in a semi-barbarous state for centuries. The low rates consequent upon this invention have extended commerce, stimulated agriculture and manufactures, and have been a blessing to the nations of the earth.

Whether it was advancing civilization that caused the invention of banks, or the invention of banks that has advanced civilization, a question that is sometimes discussed, reminds us of that still earlier puzzle — whether the owl produced the egg or the egg the owl; but it is patent that the invention occurred among peoples where comparative immunity from foreign attack had encouraged the arts of peace.

In Venice, impregnable on its islands, the first bank is heard of; clearly not a bank in the full modern sense, yet containing the germ principle of one. The cities of Genoa and Amsterdam followed with institutions similar in kind. In the meantime, the goldsmiths of England had devised some methods of detail that simplified the handling of money, till at last in the private banks of England, the Bank of Sweden, and the Bank of England the full perfection and utility of the invention began to dawn upon the world of traders.

A brief account of these various steps toward latter-day methods of banking will make clearer the nature and uses of the business, and how it multiplies and cheapens the currency of the world.

Lord Overstone, the celebrated English banker, once remarked to a gentleman in his own counting-house that his capital was his desks, ink, pens, and books. "That is all my capital," said he; "the rest belongs to me; it has nothing to do in my banking business." In other words, while banking capital is a certain security to depositors and cus-

tomers, it is really the money of the latter, and not the banker's money, on which the business is done. The money of the public, distributed in the hands of the public, is of comparatively little use to the business world, but when gathered in a bank of collection, and managed by an intelligent head, to which the public can make known its separate and collective requirements, then its usefulness is so increased that a thousand-fold is an inexpressive term to convey the true idea.

The Bank of Venice may be pronounced the forerunner of modern banking. It had its origin in the necessities of the State of Venice, in the year 1171, as the National Banking System had its origin in the necessities of the United States in 1863. A forced loan was demanded from the citizens of Venice — that is, each citizen having gold and silver money was required to bring it to the public treasury. The amounts contributed by each citizen were entered in a book instead of giving a bond, as would be done at the present day. The Republic paid punctually an annual interest of four per cent to those who advanced the specie, but did not repay the principal. The rate of interest allowed was much less than the current rate, but to compensate other advantages, foreseen or not by the propounder of the plan, accrued to the citizens. Who it was that thought of this loan, what position he filled in the Government of Venice, and whether he did or did not build better than he knew, my research has not yet been able to discover. For any information on this subject from those who have investigated further than I the dark places of history, I should be most thankful.

The citizens of Venice, unable to recover the principal of their loans, began to use the indebtedness of the State to them as an asset. Here again the interesting owl and egg question arises: whether the State first extended facilities for the transfer of these credits, or the citizens first suggested the necessity of such facilities to the State. There may have been similar loans before paid off in due time

when the State was richer, and there may have been practices of exchange of the indebtedness among private parties, before notaries, in the same way usual to other property. These things are usually a growth, until at last from an old confused practice a comparatively perfect system is evolved.

The citizens transferred the credits due them from the State on the books of the bank in their current transactions. The method was recognized as superior to handling the multifarious coins of all nations which the trade with all the world brought to Venice. Everyone then brought their coin to the bank in order to obtain this convenient bank credit. There were no bills issued or checks used; the transfers of the credits on the bank books, made with certain formalities, were the evidences of payment. This was banking on the security of a Government loan, the prototype of the United States national banking system. The notes issued by the national banks are a convenient substitute for the transfer of the credits on the books of the bank. If the Bank of Venice had been founded on a diminishing loan, the useful credits would soon have been closed. On the contrary, however, the loan to the State of specie in exchange for bank credits was constantly increasing. The original subscription was 2,000,000 ducats, which increased to 14,000,000 or 15,000,000 ducats when the bank was closed in 1797 by Napoleon I. In fact, the tendency to deposit specie became so great that after 1423 interest was no longer paid on deposits by the Government. Bank funds were generally at a premium as compared with specie, and there was never difficulty in obtaining specie for them when needed.

Florentine bankers flourished during the tenth, eleventh, and twelfth centuries, but their operations were always at excessively high interest, and their efforts were not in the direction of inventing machinery for cheapening money. They loaned a large sum to Edward III. of England, who could not pay, and caused a financial panic in Florence in

1346. There were said to be eight firms of private bankers in that city in the twelfth century.

The Bank of Genoa was founded about one hundred and fifty years after the Bank of Venice. Macaulay, in his History of England, has a picturesque description of the operations of this bank, which existed from 1320 to 1798. The basis of this bank, like that of Venice, was a loan to the Government. Its business was conducted upon similar principles. After the invention of bank notes the Bank of Genoa issued them.

The Bank of Amsterdam came into existence in 1609. Its object was to obviate the difficulties arising from light-weight coin received in the extensive foreign trade of the city. Evidently, a bank as the remedy was suggested by the success of the banks of Venice and Genoa in handling the same difficulty. The new bank received all coin, light and otherwise, by weight and fineness; in other words, at its real value in standard coin, practically as bullion, and gave in return a credit on its books. Standard coin was to be paid on surrender of the bank credit. It also received bullion and gave both a bank credit five per cent less than the value of the bullion and a receipt allowing the holder to take the bullion on surrendering bank credit. The depositor thus had his bank credit and his receipt, and could use both for what they were worth in the market.

The city of Amsterdam guaranteed the bank credits, as the United States does the notes of national banks, but without a loan at first. The credit of the institution was immense. But alas! unknown to the public the specie and bullion deposits were loaned to the East India Company, to Holland and the city of Amsterdam. The secret was not revealed until 1790, when the East India Company, Holland, and Amsterdam were all in financial difficulties together. The bank failed, turning over its unliquidated claims against the State to its depositors. A similar bank, to accomplish the same purpose as the Bank of Amsterdam, was established in Hamburg in 1619, which, although shaken at times

by circumstances beyond its control, still flourishes as the Bank of Hamburg.

The Bank of Sweden was founded by a Swede named Palmstruck, in 1656, forty years earlier than the Bank of England. It has been claimed that this bank was the inventor of the bank note in Europe. It may have been the first large bank established by a government issuing bank bills, but notes corresponding to bank notes were issued by the goldsmiths in England, and perhaps elsewhere, for some years at least prior to the establishment of the Bank of Sweden, which did not issue notes until 1658, while the goldsmiths in London used similar notes as early at least as 1650.

The banks of Venice, Genoa, and Amsterdam represent the earliest efforts to establish machinery for the more effectual and economical use of money. The so-called banking existing before had for its object the loaning of money merely, without endeavoring to multiply its effects. While the principles on which these banks were founded are the foundations of modern banking, the invention of details in the carrying out of these principles is largely due to the money-dealers of England. The Jews were the first money-dealers in England. They went to that country with William the Conqueror. They used, if they did not invent, bills of exchange, accumulated goodly stocks of coin, which they loaned at high rates of interest, although we are apt to forget these rates were usual whether money was loaned by Jew or Christian. These loans were made to the nobility on the security of their estates. Sir Walter Scott in his famous tale of Ivanhoe has given us a vivid picture of Isaac of York and the barbarous cruelties to which the wealthy Jews were not seldom subjected, and in Ivanhoe's case an instance of their gratitude and generosity. Edward I. robbed fifteen thousand Jews of their wealth and banished them all. The business was then taken up by the Lombards, who, not subject to race prejudice, did business as money-lenders, pawnbrokers, and goldsmiths.

As early as 1566 there was a goldsmiths' company in London consisting of one hundred and seven members. About 1645 the goldsmiths first began to act as bankers, collecting rents for their customers, and receiving deposits on which they paid interest. These notes were at first receipts payable on demand. They were called "goldsmiths' notes." Checks also soon originated by the practice of customers giving orders on their goldsmiths.

Nothing like these goldsmiths' notes and checks appears to have had currency on the Continent. Macaulay mentions Sir Dudley North, returning to England after many years' residence abroad, as finding that the new practice of depositing cash with the goldsmiths, drawing checks on them and using their notes, had grown up in his absence. When one of his friends asked him where he kept his cash: "Where should I keep it," he asked, "but in my own house?" The poet Pope relates that his father, having enough coin to pay his expenses for the rest of his life, as he calculated, kept it in a chest from which he took the daily sum he needed.

The great advantage to trade of the operations of these early private bankers led to the establishment of the Bank of England. This institution commenced with a loan of £1,200,000 advanced to the Government, the incorporation of the lenders taking place on July 27, 1694. The Government at first allowed eight per cent on the loan. The charter, at first granted for short periods, has been renewed from time to time until 1844, when the law under which the Bank of England now does business was formulated. The Act of 1844 regulated the issue of bank notes, not only by the Bank of England, but also of all other banks in the kingdom. In addition to the great bank there were joint stock and private banks, many of them the lineal descendants of firms of goldsmiths. The circulation to which each of these banks was entitled under the act was to be arrived at by taking the average amount of circulation in each case for twelve weeks prior to 1844. The

amount for all these banks was by this method found to be eight and three-quarters millions of pounds sterling. The amount to be issued by the Bank of England was fixed at fourteen millions of pounds sterling through an issue department to which was to be transferred an equal amount of the interest-bearing securities representing loans of the bank to the Government. The joint stock and private banks might cede their circulation privilege to the Bank of England for a consideration of one per cent per annum (this indicates what circulation was thought to be worth to the banks) up to August 1, 1856, and the privilege was forfeited by these banks in case of bankruptcy or of certain changes in the nature of their partnerships. The Bank of England was authorized to issue its own notes for the full amount of circulation ceded by the joint stock and private banks, and by order of the Crown in Council had the further privilege of issuing notes to the extent of two-thirds of the lapsed circulation — all in addition to the fourteen millions of notes first permitted. These further issues must, however, be secured by the deposit in the issue department of additional Government debt to an equal amount. The circulation of the bank since 1844 has been increased by nearly two millions of pounds sterling. The bank may also issue notes to any further extent, provided an equal amount of coin is deposited in the issue department. One-quarter of this coin may be silver, but very little, if any, of the bank's outstanding circulation is now based on silver. The notes are a legal tender between all parties except in favor of the bank itself, and only so long as they are paid by the bank in coin on demand. The profits on the circulation are divided between the bank and the Government.

The theory upon which the note issues of the Bank of England are based is that, as proved by experience, a certain amount of paper notes will at all times be kept in use by the public. The public is the air, in which the bank, the juggler, keeps several balls constantly flying, only one coming to hand at any time. This certain amount kept flying

was determined, as has been stated, by actual experiment. The ultimate redemption is supposed to be secured by the Government debt deposited. The notes issued on gold constitute a method of using the gold without the danger of having it scattered beyond recovery. Practically, as there is no outward distinction in the notes in the hands of the public, whether based on securities or gold, all the gold in the issue department is a reserve for the prompt redemption of such portion of the whole issue as may be presented at any time. It gives the bank a chance to somewhat expand its issues in response to business demands, and serves as a reserve to protect those issues.

The Scotch and Irish banks, like the joint-stock and private banks of England, have the right to issue a certain amount of permanent circulation, secured only by their general assets, and not, like the permanent circulation of the Bank of England, by Government debt specially deposited; but, like the Bank of England and unlike the joint-stock and private banks, the Scotch and Irish banks have the right to issue additional notes, as many as they can secure pound for pound by a reserve of gold coin. The stockholders of these banks are liable each one to the extent of his private fortune for all the debts of the bank.

The Bank of England controls the flow of specie and bullion in and out of the kingdom by changes in the rate of discount. It discounts the notes of merchants by giving its own notes in exchange, which are redeemable in gold. The raising the rate at once increases the difficulty of obtaining gold for export. No notes are issued by the banks of Great Britain in denominations of less than five pounds. This renders necessary the use of gold sovereigns and silver in transactions of less than that amount. The same reason that keeps always in circulation a certain sum in bank notes to carry on transactions of five pounds and over also keeps in the country outside of the banks a certain stock of gold and silver coin to carry on transactions under five pounds; the gold for transactions under five pounds and not less

than one pound, and the silver for those under one pound. This stock of gold has been estimated in 1892 by John Biddulph Martin and R. H. Inglis Palgrave at not more than £55,000,000 in sovereigns and half-sovereigns, and not below £44,000,000. It acts an important part as a buffer in protecting the stock held by the banks.

The celebrated Scotchman John Law was the originator of the first bank of France. In 1716 he was authorized by the regent, Duke of Orleans, to establish a private bank of discount and deposit with the right to issue notes. It was to exist for twenty years, and its profits were to be free of taxes. The regent was its protector, and it was to be subject to examination by Government inspectors. Its capital was divided into 1,200 shares of 5,000 livres each. By public ordinance its notes were made receivable for public dues, and were made payable at the revenue offices when specie was required. They thus secured wide acceptance throughout France. Specie poured into the coffers of the bank, and notes were issued to the extent of at least 50,000,000 livres and were in good credit. So great was the success of this private institution that in two years (1718) it was made the Bank of the Nation. The Government purchased all its shares and guaranteed its liabilities. The bank was well conceived and managed, and might well have continued solvent had not two mercantile schemes been appended to it. These were the Company of the West and the Company of the Indies. The former was to develop the resources of Canada and Louisiana. Enormous speculation in the shares of these companies ruined the bank, and after an existence of four years only it collapsed. Everything good and bad in banking was developed in the history of this institution. John Law's ideas seem to have been based on studies of the banks of Venice, Amsterdam, and England, with some further notions as to using the power of Government to give credit to paper money. It has always been questioned whether the extravagances of the later management of this bank were altogether his fault. In this

institution the specie of the country was collected in one place to serve as a basis for a larger amount in paper. The notes were not at first a legal tender, but were made receivable for taxes. The very success experienced at first from sound methods caused the managers to think there could be no end to the exploits of credit.

The wide ruin spread through France by this collapse, greater than that caused by the failure of the Panama Canal scheme in our day, inspired a wholesome distrust of all banking operations, and for fifty years no bank could be successfully started.

In 1776, the year of the Declaration of Independence by the thirteen colonies, a new Bank of France was started by Turgot, which issued notes to the amount of 12,000,000 livres, equal to its capital. This bank encouraged trade during the period of the American Revolution. It became embarrassed by the outbreak of the French Revolution, and was closed by a decree of the Convention in 1793.

The present Bank of France was established in 1803, and its charter has been renewed from time to time. The shares are held by private individuals; the governor is appointed for life, and the bank is managed by the governor and a council of regents. The institution is national, and is under the fostering care of the administration for the time being, created both as a fiscal agent and to meet the demands of commerce. It has a monopoly of note issues, and can raise the rate of discount whenever circumstances seem to require it. The issue of notes is controlled by the council, who report to the Government. The notes are based upon the security of the general assets of the bank, no part of the assets being segregated for the special benefit of the notes. Sometimes the Government guarantees a temporary or excessive issue, and also sustains the bank generally, when necessary, with its own credit. There is no limit fixed on its circulation as long as the bank redeems its notes in specie on demand, but if specie payments are suspended and the Government permits the

issue of inconvertible notes, a limit to such issues is always fixed, as was done during and after the Franco-Prussian War.

The principle upon which the note issues of the Bank of France are conducted is that when trade is normal, in ordinary times, when there is no disturbance on account of war or civil insurrection, the interchange of materials and products by and among citizens engaged in making their living requires greater aid to facilitate it than can be afforded by the stock of gold and silver coin. The bank is the machine for doing this. It takes the evidences of ownership of all these materials and products and opens accounts with the owners, who, by the transfer of these accounts among themselves, transfer the materials and products represented by the accounts, and also all expenses of the transfers. This may be done most conveniently by the checks of the owners or by bank notes, which are simply checks of the bank drawn on itself in convenient denominations. So long as the bank notes and checks do not exceed the evidences of ownership of property placed in the bank and made over to it by the owners in a fiduciary capacity, and the business is conducted with wisdom and honor, the notes and checks will be perfectly safe.

This principle underlies all banking, and the further precautions adopted, as in the case of the Bank of France itself, and the Bank of England, and other institutions, are safeguards to insure proper and honest management. In the Bank of France no part of the property deposited with it is set apart for the special and particular security of the notes. In the Bank of England, Government securities and gold are segregated and devoted to the sole purpose of meeting the notes. The method of the Bank of England appears the safer, but the method of the Bank of France is, other things being equal, much the more economical. In the one case the Government stands more closely behind the bank than in the other. Thus the Bank of France can rely upon the credit of the Government to the full extent

in case of necessity, but it must also submit to Government interference and direction. The Bank of England, however, can look for no Government support other than that it can pay for, but neither can the Government dictate its policy except by due enactment of law, as in the case of any other citizen. The English method and its modifications are better adapted to a people who are opposed to paternalism in government. The French system is best when it can be conducted by trained and responsible men under the safeguard and protection of the State. In the one case the Government restriction is imposed indirectly, and by a general law; in the other case directly by the executive branch of the Government, without the necessity of legislation for each particular act.

A brief résumé of banking in other countries will readily indicate how far and in what manner government interference with banking machinery is applied so as to give to the public and the State the largest share of benefit with the smallest chance of loss from errors or dishonesty in running the machinery.

ENGLISH AUSTRALASIAN COLONIES.

The Scotch system of banking, heretofore described, is the model for banks in the English colonies generally, with such adaptations to the surroundings and circumstances as are necessary. The banks of the Australasian colonies are upon this model. They issue, however, one pound notes, which form a large proportion of their whole circulation. This has the tendency to drive gold out of ordinary use, and to require the banks to keep much larger reserves in coin than is the case with the banks of Scotland. The banks are required to issue quarterly statements of their condition. The notes issued are a lien upon all the assets, including the liability of stockholders. From recent advices from Australia it appears that bank credits have of late years been much extended there in promoting enterprises of various kinds that require a growth of population

to insure their success. As emigration is not encouraged by legislatures controlled by labor organizations, the result has recently been disastrous to many of the banks and financial institutions of these colonies.

GERMANY.

The Imperial Bank of Germany, or Reichsbank, was founded in 1875 as the successor of the Bank of Prussia. The bank is governed by a council, of which the Chancellor of the Empire is president. The Banking Act of 1875, fixing the relations between the Imperial Bank and other existing banks as to circulation, was modeled on the English Bank Act of 1844. A fixed, permanent amount of circulation was assigned to each of these outside banks; besides this, they may issue notes secured marc for marc by gold coin, and further circulating notes may be issued subject to a tax of five per cent. At first the issue of notes by the Imperial Bank was limited only by the discretion of the controlling council, but in 1881 its notes over a certain amount were also subjected to a tax of five per cent. This tax has the effect of retiring surplus notes issued in times when there is extraordinary demand for money. A reserve must be kept on all bank notes equal to one-third of their amount in gold coin, gold bullion, and legal-tender notes of the Empire. The bank must hold discounted three-months' bills equal to the remaining two-thirds. The Imperial Bank has branches in all parts of the Empire. No notes are issued in denominations of less than an equivalent of twenty-five dollars. The German system embodies features of the English, Italian, and also of the national banking system of the United States.

AUSTRIA.

The Austro-Hungarian Bank has the exclusive right of issuing notes in Austro-Hungary. It is modeled very closely after the Bank of France. Its regular issues, over $100,000,000, must be covered by a one hundred per cent reserve of specie or bullion, a feature in which it resem-

bles the Bank of England. The bank is allowed, however, to issue other notes upon the security of discounted paper, obligations of the Austrian Empire, etc., and with the consent of the Government without any security whatever. The notes, like our Treasury notes of 1890, are to be taken for all payments unless otherwise stated in the contract. The bank is governed by a board of directors presided over by a governor appointed by the Emperor. An Imperial Commission performs the functions of our bank examiner, watching for and preventing violations of law.

SWITZERLAND.

There are in Switzerland two classes of banks: one the cantonal, where the capital has been furnished by the canton or township, and the other consisting of joint-stock banks. They appear to be under very little governmental regulation — not more than State banks in the United States. The most important of all these banks, both cantonal and joint-stock, are united in an association similar to the associated banks of New York City — that is, they accept each other's notes and interchange and aid each other's business. Some weaker banks are not admitted to this private arrangement. The note issues are not restricted by any law; they are not a legal tender, nor are they specially secured. In some of the cantons a tax of one-half to one per cent is imposed on the maximum issues. The notes of banks not in the association do not circulate except in the locality of their issue. The notes of the associated banks circulate throughout the country.

ITALY.

The chief bank in Italy is the National Bank of Italy, founded in 1859, but it is not properly a Government bank. The law under which the banks now operate was passed in 1874 after a minute examination into the banking methods of other countries. This law restricted the issue of notes to six associated banks, which were permitted to

issue paper to the extent of $200,000,000 for the use of the Government. Upon this loan the State issued interest-bearing securities to be held by the banks. In addition the associated banks are permitted to issue notes on their own account to the extent of forty per cent of their capital. The last notes are redeemable in coin or the notes first spoken of.

RUSSIA.

The Imperial Bank of Russia was founded by the State in 1860, in imitation of the banks of England and France. It is conducted under the supervision of the State. Its directors are a committee of the treasury and its capital is subscribed by the Government. The circulation is practically unlimited, being increased whenever necessary to meet the exigencies of the Government. No other banks in Russia issue notes. The Imperial Bank is merely the Russian Government doing a banking business for its own benefit.

BELGIUM.

The National Bank of Belgium has practically the exclusive right of issuing notes, because its notes alone are legal tender to the Government, which controls its issues and business. Theoretically, there is no restriction upon the issue of notes by individuals or firms, except by corporations of limited liability. The small extent of the country does not allow any profit in the circulation of local notes in the face of the legal-tender quality and management of the National Bank. Reserves are usually kept in coin to the extent of one-third of the circulation and deposits, but the Government may permit a reduction of twenty-five per cent of the liabilities.

NETHERLANDS.

The Netherlandsche National Bank issues the only bank notes permitted in the Netherlands. This bank issues two kinds, like the associated banks of Italy, one sort, limited

to a certain amount, based on Government securities, and the other notes of the bank proper, unlimited. But a reserve of forty per cent in gold coin or bullion is required on all liabilities, including circulating notes.

DENMARK.

The Bank of Copenhagen alone issues notes in Denmark. They are without limit, with no security other than the general assets of the bank. For a certain fixed proportion of notes, say $8,000,000, a reserve of good, convertible assets must be kept equal to fifty per cent of the amount. On all notes over this amount a reserve of gold coin equal to one-third of this additional sum is required. The total gold reserve must never be less than three-eighths of the total circulation.

NORWAY.

The Bank of Norway was chartered in 1816. It is practically a Government bank, in whose management the stockholders have no voice. Its right to issue notes is exclusive, and the issues are in proportion to its capital, viz., two and a half times the original capital, twice the amount of a first increase, and one and a half times a subsequent increase. Against its surplus fund it may issue one hundred and fifty per cent, and still further notes may be issued against gold. The notes are a legal tender, and though not guaranteed by the State they are practically backed by it.

SWEDEN.

The Bank of Sweden was founded in 1656. Its circulation is unlimited except as secured by a gold coin reserve of nearly fifty per cent. Other banks in Sweden are the Enskilda banks, like our private banks, that also are permitted to issue notes. The partners are of two classes, some whose liability is unlimited, the others whose liability is limited. Upon capital of the first class notes may be issued when twenty-five per cent of such capital is deposited in a public place of security. The capital of limited liability

partners must be deposited to the extent of seventy-five per cent before the note-issuing privilege is granted. These deposits must be in Government bonds or approved mortgages on real estate. Upon the paid-up capital an issue of notes to the extent of three-fourths is permitted; also other notes to the extent of the cash in bank and the deposits with the Bank of Sweden. All of these additional notes must not, however, exceed fifty per cent of the capital. The notes are redeemable at the counters of the banks issuing them. The banks have a system of exchanges to facilitate redemptions at Stockholm.

SPAIN.

The Bank of Spain holds the exclusive right of note issues in that country. Its notes are emitted and circulate solely on its credit to an amount of three times its capital. The bank is required to keep a thirty-three per cent reserve in gold coin.

PORTUGAL.

Bank notes are issued in Portugal by the Bank of Portugal. This bank claims the exclusive right to put out circulation, but banks in other places issue notes notwithstanding this claim. There is no special security for its notes, which, all but a small amount, are payable in gold coin on demand.

JAPAN.

Japan has a banking system modeled upon that of the United States. In addition there is a State Bank of Japan modeled on that of Belgium. The Government subscribed for one-half the capital, and the Emperor appoints the president.

From these illustrations it may be understood that the usefulness of banks consists not in creating, but in performing the exchange function of money. Money not only effects exchanges, but it is also the standard of value. Banks and their devices, notes, checks, drafts, etc., effect exchanges without the use of money. When by laws or bad

management banks seem to fix the standard of value they are outside of their province. On the other hand, it is a popular error that mistakes their instruments for money.

In Venice we have seen how, by the establishment of a system of accounts, the value of a large mass of coin, previously used to effect exchanges among merchants, was at once added to the resources of the State, while the necessary exchanges were better effected by the bank machinery than by the coin itself. But Venice maintained and perfected the standard of value. This bank machinery of Venice was excellent in that it did not confuse the popular idea of real money value. The substitution of bank notes for one part of the Venetian method gave additional convenience. It gives to each individual the freer use of his bank credit in every place, not confining him to making transfers in the bank office. But its dangers are almost equal to its convenience, and it has been the aim of banking law and regulation to cull the utility of bank notes and avoid their dangers; to effect exchanges conveniently without overstimulating trade, and without departure from a true standard of value.

Banking methods and laws in each country, with this common aim, differ much with the custom and genius of the several nations. Whenever the maintenance of the true mean between utility and danger is lost sight of, or whenever false deductions from the facility in making exchanges lead to a departure from the standard of value, and a belief that the mere machinery of wealth is wealth itself, disaster inevitably follows.

The banking methods of Europe have been perfected by centuries of experience, each among the people it serves. America has profited by them, although adapting them to her own conditions. Both in Europe and the United States sound finance and banking have as their steady company an evil shadow called irredeemable currency, legal-tender fiat money, etc., that sometimes in times of trouble hides the light of truth. These disastrous monetary fallacies secure acceptance with many honest-minded and intelligent

people through the seriousness and false philanthropy of their promoters.

The Simon Magus, or false apostle of finance, is usually a sincere and earnest man who believes in his theory, as the second-rate chess-player confides in his infallible gambit. Disaster does not convince him, for, do not the soundest plans go astray in the execution? He seems to have had his day in Europe, but he still flourishes in the United States. Reducing his fallacy to its lowest terms, it seems as follows: If payments are daily made in Chicago amounting to one hundred and sixty-six millions of dollars, and all but six millions are made in checks, drafts, etc., why, says Simon Magus, should the people pay the banks for doing the exchanges, when, if only one hundred and sixty-six millions in money were furnished, no one need go to a bank or draw a check or a draft. Coin is too scarce; therefore, let a paternal government furnish legal-tender dollars. He forgets that a government without banking machinery can not know rightly the extent of the exchanges with which the fiat money is to conform.

Learning wisdom by experience is sometimes a severe process, but it is effectual. Just now the thinking people of this country have formed themselves into a school of finance, and they are learning a lesson from the book of experiment. Fortunately the country is rich enough and strong enough to endure the results without irreparable injury. But this immunity can not be expected to last forever. Financial sins eventually have to pay the natural penalty. Sooner or later the laws of finance will vindicate themselves. It is a hopeful fact, however, that the general intelligence of the people begets progress as well as thrift, and therefore added prosperity can safely be expected in the future.

The banking system of the United States, although satisfactory as to the management of deposits and discounts, has yet to be perfected as the issuer of a currency which will supersede the present system of Government legal-

tender notes. I do not advise an exact imitation of any of the particular methods of other countries differing so much among themselves. But our bankers and legislators should not forget the sound principles educed by the experience of the older countries, whose distinguished representatives are with us to-day.

The peoples of the world are getting nearer each other year by year. The world's commerce produces the links which bind us together in the unbreakable chain of commercial unity. Let us try to solve the financial problems now demanding attention, and which affect the business interests of all lands, in that spirit of brotherhood which befits the advanced civilization of to-day, keeping in mind the truism that a question is never settled until it is settled right.

THE GOLD STANDARD.

By Mr. Horace White of New York.

INTRODUCING Mr. White, the Chairman, Mr. Lyman J. Gage, referring to the fact that a heavy rain was falling, and many persons were thereby prevented from attending, said: "I wonder why nature is so unkind on an evening like this? Reflection suggests that perhaps it is a little in retaliation for a good deal of cold water that fell upon us at the early stage of the World's Columbian Exposition in that quarter from which the gentleman who will address us to-night comes. In introducing Mr. Horace White to the audience I welcome back to Chicago an old citizen who was identified with its history for many years, and whose pen assisted in shaping local and Western thought. In New York City, as editor of the *Evening Post*, he found a larger field, but not a more useful one. As a thinker and writer his name is known at home and abroad. He comes to us to speak upon the single gold standard. In whatever he says he is interesting, and whatever his thought is, it is worthy of attention. I now take pleasure in introducing to you Mr. Horace White of New York." [Applause.]

Address of Mr. White.

The most impressive fact in the world of finance is the dominance of the gold standard. A year or two ago Roumania passed under its sway; to-day it is Austria; next year, or soon, it will be Russia; by and by it will be India; and meanwhile it has lost no ground that it has ever held. Three international conferences have been assembled to stay this conquering march, while none has been called to promote or assist it. Yet the movement has been as little

impeded as that of an ocean steamer would be by the action of a debating society in its own cabin. Is all this due to human perversity, or has it a rational cause founded in the needs of mankind?

THE EXPERIENCE OF ENGLAND.

The first nation to adopt the single gold standard by law was England. This was really done in 1798, although the date usually assigned to it is 1816. The pound sterling was originally a pound weight of silver divided into twenty parts called shillings, and each of these into twelve parts called pennies or pennyweights. Gold made its first appearance in the coinage of England in the reign of Edward III. (A. D. 1345). The ratio of gold to silver fixed by royal decree in this coinage was about twelve and one-half to one. From this period to the forty-third year of the reign of Elizabeth there were nine debasements of the silver coinage accompanied by changes in the gold coinage, but as these were arbitrary acts of the reigning sovereigns they possess no scientific interest. In the forty-third of Elizabeth (1601) the last debasement was made. The pound weight of silver was then coined into sixty-two shillings and the pound of gold into thirty-three and one-half sovereigns of seven pennyweights four grains each, the ratio of gold to silver being eleven to one. The silver coinage being henceforth unchanged it becomes possible to trace the commercial variations of the two metals and to observe the ineffectual struggles of society and government to keep both of them in use as legal-tender money. Queen Elizabeth died two years later. Before her successor, James I., had been on the throne three years, gold had risen in value as compared with silver, and the gold coins were exported to such an extent that it was necessary to diminish their weight about eleven per cent. The ratio now established was a little more than twelve to one. In the ninth year of the same reign the gold coin began to be exported again; so that it was necessary to make a new change of ratio.

This time the ratio was fixed at thirteen to one. But this was too great an advance in the rating of gold. An exportation of silver set in which caused great inconvenience in the kingdom. Instead of readjusting the ratio, the king, in the year 1614, issued a proclamation prohibiting the exportation of the precious metals. The proclamation had no effect; so another one was issued in 1619 reaffirming the first one, and forbidding the melting of coin for the purpose of making plate, although a certain amount might be used for repairing old plate and keeping it up to its original standard. As the evil continued, a third proclamation was issued in 1622, and a fourth in 1624. None of these had any effect except to make a historical record of the futility of attempts to enforce a legal ratio which is different even in a slight degree from the market ratio. It was customary during this period to pay a premium of two pence for silver change to the amount of twenty shillings.

Soon after Charles I. began his reign he issued a proclamation on the same subject reciting the previous ones of his father and acknowledging that they had been disregarded. In 1636 seven persons accused of melting and exporting coin were arrested and fined £8,500 and imprisoned till the fines were paid, but even this example did not put a stop to the practice. Silver was worth two or three pence per ounce more than the mint valuation, and this fact dominated society from the king on the throne to the beggar on the dunghill. But what could not be prevented by royal proclamation and star chamber was stopped by an unseen force. The price of gold was slowly rising, so that about the beginning of the Commonwealth the ratio that King James had established was identical, or nearly so, with the market ratio. The exportation of the precious metals ceased until the reign of Charles II.

In 1633 gold had risen in value so that it was necessary to change the ratio to fourteen and one-half to one. This was an advance of about eight per cent since James I. Each time that a change was made in the gold coinage a

new name was given to the coin so produced, in order to distinguish it from its predecessors. The coin that Charles II. now introduced was called the guinea. It was ordered that this coin should pass for twenty shillings, but it immediately became current in trade at a higher rate, passing for twenty-one to twenty-two shillings. No attempt was made to enforce the mint valuation or to prevent melting or exporting, consequently silver became in practice the only legal-tender money. Nobody would offer a guinea to pay a debt of twenty shillings when it was worth twenty-one shillings. The guineas passed for what they were worth as bullion. That was a time when the clipping of coin was much practiced, but it was no advantage to clip a gold coin, since it was taken only at its bullion value. The silver coins, however, passed by tale, consequently they alone were subjected to the clipping process. The evil became so great that a recoinage of silver was necessary, and was undertaken in the reign of William III. This was a celebrated event in many ways. Both Sir Isaac Newton and John Locke were concerned in it. In the year 1717 the guinea was made current by royal proclamation at twenty-one shillings in silver, at which figure the ratio was about fifteen and one-seventh to one. This was in the third year of the reign of George I. It was about this time, says Lord Liverpool, that a marked preference was shown by the people for gold money rather than silver, on account of its convenience in making large payments. This he ascribes to the increase in the commerce of the country. As gold was slightly overrated at the ratio of fifteen and one-seventh to one, there was a tendency to export silver. Only £584,000 sterling of the latter metal was brought to the mint for a period of eighty-three years, down to the end of the century, and most of this came from Spanish treasure ships captured in war. The only silver coin retained in circulation was that which had been much worn. As these light-weight pieces varied among themselves, the lightest ones were selected to make payment, a condition which became

worse and worse until Parliament in 1774 passed an act limiting the legal tender of silver coins to twenty-five pounds in tale. For any sum above twenty-five pounds they could be paid by weight only. This act was to continue in force only two years, the expectation being that some other remedy for the evil would shortly be found. It was re-enacted from time to time till 1798, when another clause was added providing that no more silver should be coined at the mint, nor should any be delivered that had been coined, but that the owners of such silver should be paid for it. In the following year (1799) a brief act was passed making the act of 1774 perpetual. In 1816 the character of the British monetary system was formulated by an act of Parliament on its present basis, the essential part of this act being in the following words:

XI. And whereas at various times heretofore the coins of this realm of gold and silver have been equally a legal tender for payments to any amount, and *great inconvenience has arisen from both those precious metals being concurrently the standard measure of value and equivalent for property;* and it is expedient that the gold coin made according to the indentures of the mint should henceforth be the sole standard measure of value and legal tender for payment, without any limitation of amount, and that the silver coin should be a legal tender to a limited amount only, for the facility of exchange and commerce;

Be it therefore enacted, That from and after the passing of this act, the gold coin of this realm shall be, and shall be considered, and is hereby declared to be the only legal tender for payments, except as hereinafter provided, . . . and no tender of payment of money made in the silver coin of this realm of any sum exceeding the sum of forty shillings at any one time shall be reputed a tender in law, etc.

This is a brief résumé of the experience and legislation of Great Britain. It is important as showing that the single gold standard was adopted on account of the "great inconvenience" of the double standard, which had been in vogue previously. Of course this "inconvenience" had attracted the attention of learned men before 1798. John Locke had shown that a double standard composed of two things of varying value was an impossibility. He favored the single

standard of silver, as did the learned men who considered the same question in France a century later.

It appears that the gold standard was adopted without any particular design on the part of those who brought it about. They found as a matter of fact that the monetary evils existing in 1774 could be cured most readily by limiting the legal tender of silver. So they did it for two years, and then for two years more, and so on, till 1798–99, when they had become satisfied by the experience of twenty-five years that the single gold standard was the right thing to put an end to the "inconvenience." Seventeen years later, the experiment having continued to be successful, they passed the law which I have quoted. That law in substance remains in force to the present time, and we may be sure that it would not have lasted so long if it were not a good thing *per se*.

THE GOLD STANDARD IN THE UNITED STATES.

We will next consider the experience of the United States. At the beginning of our career as a nation we adopted the double standard of gold and silver. This was in 1792. Our statesmen followed in this matter the example of the older countries of Europe. Alexander Hamilton was the Secretary of the Treasury and the ruling spirit. At his instance the ratio of fifteen was adopted, and there is no room to doubt that this was very close to the true market ratio at the time. The English ratio of fifteen and one-seventh ceased to be operative, as we have seen, because it was too high. France was at that time under the régime of irredeemable paper, consequently nothing could be learned from her. The discussions and writings of the period show that there was an honest and earnest effort to adopt the market ratio as the legal ratio, and that the result reached was as nearly true as possible. Nevertheless gold began to grow scarce in our circulation as early as 1810, and had wholly disappeared in 1817. One

ounce of gold had come to be worth as metal something more than fifteen ounces of silver. It was worth while for bullion brokers to collect gold coins and export them. The testimony is emphatic, and is not disputed, that after 1817 and until 1834 our metallic money consisted of silver exclusively.

THE LAW OF 1834.

In 1834 our people had become tired of lugging silver around. They had by this time found out what was the matter. They determined to have some gold in their pockets, but it can not be affirmed that Congress had reached a scientific conclusion in favor of the single gold standard. What is certain is that Congress adopted the ratio of sixteen to one in 1834 by very large majorities in spite of proofs urgently presented that this ratio would drive silver out of circulation altogether, as it did. This bill was called the "Gold Bill" in the discussions of the time. As reported by the special committee, it provided for a ratio of fifteen and sixty one-hundredths to one, but when it came up for discussion Mr. Campbell P. White, the chairman of the committee, who favored the single gold standard, moved to amend by making the ratio sixteen to one, and his amendment was adopted without a division. On the main question, the debate was long and animated. An amendment to the amendment was offered making the ratio 15.625 to one, and it was supported on the ground that this was the true market ratio and that it would enable the country to keep both silver and gold in concurrent circulation. That was what the House did not want. This amendment was voted down; yeas 52, nays 127. The bill was then passed in the House by 145 to 36, and in the Senate by 35 to 7.

There was a variety of motives leading to the passage of the gold bill, but among these the desire of having gold in place of silver was the most influential. Thomas H. Benton, one of the strongest advocates of the measure, declared that the object of his endeavors was:

To enable the friends of gold to go to work at the right place to effect the recovery of that precious metal *which their fathers once possessed*, which the subjects of European kings now possess, which the citizens of the young republics to the south all possess, which even the free negroes of San Domingo possess, but which the yeomanry of this America have been deprived of for more than twenty years and will be deprived of forever unless they discover the cause of the evil and apply the remedy to its root." (Speech of Senator Benton of Missouri, quoted by Louis R. Ehrich in his "Question of Silver.")

The effect that was predicted was abundantly realized. Silver did go out of circulation. The minor coins, being of proportional weight and fineness with the dollar, were melted and exported, and their place in the circulation was taken by light-weight foreign coins, principally Spanish and Mexican sixpences, shillings, quarters, and halves. Those coins, when of full weight, were almost identical with our own fractional coins. If our own would not circulate the foreign ones, of course, would not. But if there was a certain proportion of these coins, whether foreign or domestic, that had been worn down by long use so that they really represented the market ratio or something less, such coins would circulate concurrently with gold. To illustrate: Two halves, four quarters, or ten dimes, if new and of full weight, were worth about one and one-half cents more than a gold dollar, consequently they would be collected by brokers, melted, and exported; but two halves, four quarters, or ten dimes that had lost one and one-half cents' worth of silver by abrasion would circulate, because there would be no motive to melt or export them. There would be no profit in it. When I was a boy the silver money of this country consisted exclusively of foreign coins, mostly Spanish and Mexican, but with a considerable sprinkling of English, French, German, and Scandinavian pieces. Every merchant kept a coin chart manual for handy reference to determine the value of these pieces as they were offered in trade. I have also seen Spanish quarters cut in half, each piece circulating as a shilling. There was nothing remarkable about this, since all of these foreign coins were

circulating at bullion value. The two halves of a Spanish quarter were therefore worth as much as they would have been if joined in a single piece.

It became apparent to everybody that if full-weight silver coins would not circulate on the ratio of sixteen to one, while those of light weight would circulate, then it would be safe to *make* minor coins (halves, quarters, etc.), designedly of light weight, on Government account, of limited legal tender. There would be no profit in exporting such coins, because they would not sell as bullion for as much as it would cost to collect them. In 1853 an act of this kind was passed.

From 1837 onward the country had gold money and the gold basis. Silver dollars were hardly ever seen. There was not an hour in the whole period of forty years to 1873 when the silver dollar was not worth more than the gold dollar. With the exception of a very few years it was worth fully three cents more. Did any of you ever see a silver dollar in circulation prior to 1873? I never did.

THE LAW OF 1873.

Under these circumstances, the gold standard existing *de facto*, and there being no silver except light-weight subsidiary coins, our mint authorities, the only people who took any interest in the subject, began, even before the war, to recommend that the single gold standard should be adopted in law as it has been adopted in fact. Ex-Governor Pollock, Director of the Mint, in his report for 1861, called attention to the incongruity of a silver dollar that was worth three and ninety-eight one-hundredths cents more than the gold dollar and eight cents more than two half-dollars. He recommended that it should either be dropped from the list of coins or reduced in weight so as to correspond with the subsidiary coins. He considered that gold was *de facto* the standard of value, and he recommended that the law should conform to the fact. But the nation had more exciting topics to discuss in 1861 than those relating to coinage.

In 1866, after the war, Mr. John Jay Knox, who then had charge of the mint and coinage matters in the Treasury Department, recommended a revision of all the laws relating to the mint. Secretary Boutwell approved of the suggestion. Mr. Knox and Doctor Linderman were appointed in 1869 a committee to make such revision. They presented their report with a draft of a bill in 1870. The report recommended the discontinuance of the silver dollar, this coin being obsolete. The bill and report were transmitted to the Finance Committee of the Senate on the 25th of April, 1870. The bill passed the Senate on the 10th of January, 1871. It made the gold dollar the unit of value, and it dropped the silver dollar from the list of coins. The bill failed in the House for want of time. The Forty-first Congress having expired without final action, it came up again in the Forty-second. It passed the House May 27, 1872, by yeas 110, nays 13. It passed the Senate January 17, 1873, without a dissenting vote. The metal in the silver dollar at that time was worth three cents more than the gold dollar. No objection to the bill was heard until the price of silver had fallen so that the silver dollar, if there had been any, would have been worth less than the gold dollar. Then it became fashionable to say that the bill was passed surreptitiously. The truth is that the bill was before Congress two years and ten months; that it was printed thirteen times by order of Congress; that the debates on it occupied sixty-six columns in the Senate proceedings and seventy-eight columns in the House proceedings, and that the discontinuance of the silver dollar was specially discussed in the House. Any candid person must see that the reason why the discontinuance of the silver dollar attracted so little notice was that this coin had been discontinued *de facto* in 1834, when the ratio of sixteen was adopted. I have given reasons for thinking that this ratio was adopted designedly to expel the silver dollar from circulation. At all events it did so, to the satisfaction of the people. It is a great pity that our ancestors in 1834 did not put their inten-

tions into the form of law at that time. If they had done so they would have spared us a Pandora's box to be opened forty years later.

Bimetallism was abolished in the United States by the act of 1873. It has not been re-established by any subsequent act. The purchase and coinage of a limited amount of silver by the Government is not bimetallism. Still less so is the purchase of bullion which is not coined. Any other metal would answer as well as silver as a backing for the issue of Treasury notes. Let us imagine for a moment that silver had not fallen in price after 1873. Would anybody ever have missed the silver dollar? Would anybody have doubted that the gold standard was brought about in this country by natural causes operating upon men's minds, in the same way as it was in England, the action of Congress in 1873 merely giving the form of law to what had been done practically at an earlier period?

THE EXPERIENCE OF GERMANY.

Prior to 1871 Germany had the single silver standard, but, as she could not transact business with silver alone, she used for her international and wholesale trade a heterogeneous assortment of gold coins, partly domestic and partly foreign, including napoleons, pistoles, guineas, eagles, Russian imperials, Friederichs d'or, ducats, crowns, etc., passing as commercial money. The question of a reform of the currency had been under discussion by the economists and publicists of Germany for nearly ten years, but until 1868 the question under debate was a question of uniformity of money rather than of the metallic standard. Doctor Soëtbeer had indeed published two articles, in 1863 and 1864, in the *Vierteljahrschrift für Volkswirthschaft* on the gold standard, but it was not until after the Paris monetary conference of 1867 that the commercial classes began to take an active interest in the question. This conference was held at the invitation of the French Government to consider the question of uniformity of coinage. Nearly all the governments

of Europe were represented. The United States were represented also. One of the earliest questions to be decided was that of a standard. The first vote was on the question of adopting the single standard of silver. This was rejected unanimously. Then the single standard of gold was adopted with only one dissenting vote—that of Holland. Nobody proposed bimetallism. The action of this conference shows that even at a time when the two metals were at an equilibrium according to the French ratio, France and all her allies of the Latin Union were inclined to adopt the single gold standard, and also that Germany, Austria, Russia, and the Scandinavian countries, all of which at the time had the single silver standard, were of the same mind.

After this event a great many publications appeared in Germany showing an unmistakable tendency in the public mind to the gold standard. The most important of these is the report which Soëtbeer made at the ninth congress of German economists, in the year 1868.

GERMAN MONETARY LAW OF 1871.

On the 5th of November, 1871, the Finance Minister of the new German Empire, Herr Delbrück, presented to the Imperial Diet a brief report of the "motives" which had led the Government to propose a measure for the unification of the German coinage. This measure provided for the coinage of gold pieces of ten and twenty marks, and it discontinued the coinage of large silver coins, but did not demonetize those that were in circulation. The report says, first of all, that it may be considered as beyond doubt that the existing silver standard can not be maintained. The only gold coins authorized by existing law were German crowns and half-crowns, but these had no fixed relation to the standard silver coins of the nation nor to those of any other country, consequently they were not accepted in the domestic circulation. They had never been an integral part of it, nor had they acquired any standing in international commerce, being melted down as soon as they reached the frontier;

consequently the internal commerce of Germany was confined to the use of bulky and inconvenient silver coins. "The inconvenience of silver coins," says the report, "led of necessity to a very considerable circulation of paper, which, in ordinary times, is taken as a welcome facility, but in critical times contains the germs of serious dangers. The artificial demand for paper created by the exclusive circulation of silver made it almost impossible to adopt any radical and rational regulation of the banking system through laws common to all Germany." For these reasons—namely, that silver was bulky and inconvenient and that it brought about a forced circulation of paper and prevented any wise regulation of bank issues—the single gold standard was recommended, with a silver subsidiary coinage. The measure was supported by very strong speeches by Minister Delbrück and by Doctor Bamberger, and it passed on the 23d of November. This measure was provisional only, a second and more detailed one being enacted two years later.

It is said by some that Germany by demonetizing silver in 1871, and by selling it in 1873, and later, drove France and the Latin Union into a suspension of silver coinage, and caused the great decline in the price of that metal. If this were true it might possess an academic, but hardly a practical, interest. Germany is not answerable to us for her tastes. We can not call her people to account for liking to have gold in their pockets or sauerkraut on their tables. We can not go back to 1871, or blot out the intervening years. Nor have we been able to persuade Germany that she has made any mistake in her new monetary system. She declined to take part in the monetary conference of 1878. She came with reluctance to that of 1881, and announced at the outset that she could not join in any movement for the free coinage of silver. She repeated this declaration at an early stage of the recent Brussels Conference. So I feel warranted in saying that the question whether Germany has been guilty above others in oppressing or depressing silver is of no practical consequence.

But such a charge can not be sustained. Germany had completed her new monetary system and stopped selling silver in 1879, and the Latin Union countries had closed their mints to silver three years earlier, whereas silver continued to decline all the same. The London price for 1879 (average) was fifty-one and one-fourth pence per ounce. It is now thirty-eight pence. The decline has been greater since Germany stopped selling than it was before. From 1871 to 1879 the aggregate decline was nine pence; from 1879 to 1893 it has been thirteen pence. The simple truth is that Germany was driven to the gold standard, just as great Britain and the United States had been previously, by the *inconveniences* of silver money. These inconveniences manifested themselves with some variations of detail in different countries, but all grew out of the ponderousness of silver, an evil which increased with the growth of commerce. Some persons habitually speak of silver as a twin sister to whom some grievous injustice has been done. All such must admit that she is a very corpulent one.

FRANCE BEFORE THE REVOLUTION.

We will now look at the course of events in France. Here the livre was originally a pound-weight of silver. It was debased by royal authority from time to time as in England, but much more rapidly. M. Beranger, in his report on the French monetary system in 1802, says that the ratio of gold to silver was changed twenty-six times between 1602 and 1773, and that the livre at the time when he wrote had been reduced to the seventy-sixth part of its original weight. The livre is now called the franc. It is impossible to trace any scientific connection between these recoinages and the metal ratios except that the divergences between the legal and market ratios, whenever they were discovered, were seized upon by the Government as an excuse for further debasement. They "fell back alternately from gold to silver and from silver to gold," says Beranger, making a profit to the royal treasury each time. M. Calonne, comp-

troller-general under Louis XVI., has given us a list of the principal recoinages prior to his time, of which there were four in the reign of Louis XIV. and five in that of Louis XV. It would be a waste of time to recount them. The ratio existing when Louis XVI. came to the throne was fourteen and five-eighths to one. It had been adopted in 1726. The legal ratio in England at that time, as we have seen, was fifteen and one-seventh. Both ratios were, or gradually became, divergent from the market ratio. Silver was exported from England and gold was exported from France. A recoinage in the latter country became necessary, and this was undertaken and executed by Calonne in good faith in the year 1785. Calonne chose the ratio of fifteen and one-half. This ratio was in force when the celebrated law of 1803 was passed, under the consulate. It was not exactly conformable to the market ratio at the time. It rated gold too highly, but Calonne said that he had observed that gold had an advancing tendency, and he believed that if fifteen and one-half was not the true ratio then, it would become so before long. In this he was right, for when the law of 1803 was passed there was no observable tendency to export either metal, and the Hamburg market ratio, as tabulated by Soëtbeer, was very close to fifteen and one-half.

FRENCH MONETARY LAW OF 1803.

I have in another place made a study of the documents and debates which preceded and led up to the French monetary law of 1803 (see *Political Science Quarterly*, June, 1891). The substance is that these learned and patriotic men, without exception, considered a double standard impossible, and any attempt to establish it disastrous. They accordingly determined to establish, and thought that they had established, the single silver standard by a law, the first paragraph of which reads as follows:

> GENERAL PROVISION: Five grams of silver, nine-tenths fine, constitute the monetary unit, which retains the name of franc.

But they were confronted by the fact that gold was an

indispensable part of the monetary system. How to retain it in the circulation as a subordinate metal while making silver the sole standard was the great puzzle of the day. No less than eight important papers were drawn up from time to time on this question and no decision was ever reached except to allow gold to be coined at the French mint at the ratio of fifteen and one-half to one, with the understanding that if the market ratio should change, the gold, but not the silver, should be recoined.

Such was the law in 1803. Although it was the intention of the law-makers to establish the single silver standard, the clause which they introduced allowing the coinage of gold was the same thing in effect as re-enacting Calonne's law of 1785. It was in practice, though not in intention, a bimetallic law at the ratio of fifteen and one-half to one. Almost immediately after its enactment France plunged into wars which lasted till 1815. Of course the nation had very little time to think about her coinage laws. Gradually the price of gold rose above the legal ratio, and that metal was exported to such an extent that Chevalier tells us that "twenty-five years after that date the circulation consisted of silver only." Abundant proofs can be adduced showing that bimetallism did not exist in practice in France between 1820 and 1847. Mr. Griffen has published a table showing the premium on gold in Paris during every month of that period. This premium was at times as high as two per cent. The contention of the bimetallists that the French law of 1803 kept the ratio steady at fifteen and one-half till 1873 is not supported by facts.

THE GREAT INRUSH OF GOLD.

From 1850 to 1860 there was an enormous increase in the production of gold in Russia, California, and Australia, and scarcely any increase in that of silver. The market ratio declined to fifteen and forty-six one-hundredths in the year 1851, so, of course, gold could again circulate in France. The ratio continued to decline till 1857, when it reached its

lowest point, viz., fifteen and nineteen one-hundredths. It remained below fifteen and one-half till 1867. During this interval of sixteen years France imported $600,000,000 of gold and exported about half that amount of silver. Her circulation became saturated with the yellow metal, to the great delight of her people, who had become tired of carrying sacks of five-franc pieces to and fro in cabs and hand-carts.

The exportation of silver from France was so extensive at this time that the country was almost denuded of small money. It became necessary to coin gold pieces as small as five francs. In 1857 the scarcity of silver had become so great that the Government appointed a commission to investigate the subject. This commission was bent upon maintaining the silver standard; so, instead of following the example of the United States and making silver coins of light weight and of limited legal tender, it recommended that an export duty be put on silver, that bullion brokers be prosecuted, and that assorting and trading in coins be prohibited by law. In other words, this sapient commission went back for inspiration to the times of Louis XIV., and of James I. and Charles I. of England. Some attempts were actually made to carry out these senseless recommendations, but they were soon abandoned. It was about this time that Chevalier, the French economist, who was a stout champion of the silver standard, proposed to solve the difficulty by providing that French gold coins should have a fixed weight but a variable value, and that the value should be announced by legislative decree at certain short intervals. M. Levasseur, another economist of renown, but with a keener vision, expressed the opinion that gold had made itself the standard in spite of the law, and he suggested that the wisest thing for France to do was to make the law conform to the fact.

THE LATIN MONETARY UNION.

Nothing was done at that time. Events drifted till 1864, when the lack of small change had become so serious that

the Government brought a bill before the Corps Legislatif authorizing the lowering of the fineness of all the silver coins less than five francs to eight hundred and thirty-five instead of nine hundred one-thousandths. This was in effect the same thing that we had done in 1853 when we converted all our silver coins less than one dollar into token money. The proposal was more shocking to the French legislator than to the American, for the reason that the franc was the monetary unit sanctioned by the law of 1803, and this monetary unit was one of the very things to be lowered. The legislature recoiled, but it sustained the lowering of the pieces smaller than one franc. The difficulty could not be removed by such homeopathic treatment, and as the same difficulty existed in the neighboring countries of Belgium and Switzerland a convention was called for the purpose of adopting some common steps for relief. Italy also was induced to join, and soon afterward Greece. France considered it admissible to do by treaty what she had not been willing to do by direct act. By treaty, dated December 23, 1865, these four countries adopted their present token coinage of silver and limited its legal-tender faculty to fifty francs. This was the origin of the so-called Latin Monetary Union.

HOW FRANCE CAME TO THE GOLD STANDARD.

In 1867 the price of silver had again declined so that the French ratio of fifteen and one-half was substantially identical with the market ratio. That was the year of the international monetary conference, of which mention has already been made, at which France voted in favor of the single gold standard. Nevertheless the French legislators abandoned the silver standard with extreme reluctance. They were attached to it by custom and tradition. They still desired, like their ancestors of the revolution, to have the silver standard with gold as a subordinate metal. They allowed events to drift until 1873, when they were startled to find that 154,000,000 francs' worth of silver had been

deposited at the mint for coinage in that year, against only 5,000,000 francs' worth in 1871–72. The amount of silver so deposited was more than the mint could coin in a year and a half, if it did nothing else. The market ratio of gold had risen nearly to fifteen and seventy-five one-hundredths. There was a profit of one and one-half per cent in sending silver bullion to the mint and using the resulting coin to buy gold for export. The delegates of the Latin Monetary Union were hastily assembled, and they determined to limit the coinage of silver to 120,000,000 francs per year for all the countries concerned. This was virtually the adoption of the gold standard.

At the beginning of 1876 the market ratio had reached nearly seventeen to one. The crisis was becoming acute. Switzerland had ceased to coin her allotted share of silver. Belgium had passed a law authorizing the Government to stop coining that metal. M. Leon Say, the French Minister of Finance, sent to the Senate March 21, 1876, a bill of only two lines in these words, viz.: "The coinage of silver five-franc pieces may be limited or suspended by decree." The Senate committee to which it was referred, under the lead of M. de Parieu, reported a more drastic measure, absolutely forbidding the coinage of any silver money of full legal tender. The legislative body again showed its aversion to change by rejecting the Senate report and adopting, on the 5th of August, the more moderate measure of the Minister of Finance. But it really made no difference which of the two was adopted. The door of the French mint was closed to silver on the following day and has not been reopened. I think it has been shown that the gold standard made its way in France, not only without any design on the part of individuals, but in spite of the strenuous resistance of almost all the men who busied themselves with the subject at all. I have given a good deal of space to the experience of France, because of the great importance which has always been assigned to that country by the advocates of bimetallism.

EXPERIENCE OF BELGIUM AND HOLLAND.

It is unnecessary to go into details concerning the other members of the Latin Union, but one fact as regards Belgium deserves notice. This country was an integral part of France when the law of 1803 was passed. Her monetary system was accordingly identical with that of France until 1832, when she adopted the single silver standard, retaining the franc as the monetary unit. In 1861, when the great influx of gold from California and Australia had made such a change in the monetary conditions of France, the people of Belgium began to taste the luxury of gold in the form of French coins. There was straightway a popular demand that French gold should be made legal tender in Belgium. The Finance Minister, Frere Orban, resisted it. He was impressed with the views of Chevalier in favor of silver, to which allusion has already been made. The popular demand grew apace, and Frere Orban, rather than yield to it, resigned his office. Then the bill was passed and Belgium obtained what her people wanted, that is, the gold standard.

The experience of Holland is no less instructive. Prior to 1847 this country had the double standard at the ratio of fifteen and sixty one-hundredths to one. She had become convinced, however, that a double standard was merely an alternate standard, first one thing and then the other; so she decided to have a single standard, and adopted that of silver in 1847.

When Germany adopted the gold standard a commission was appointed by the King of the Netherlands to examine the monetary question. It recommended that the coinage of silver be suspended for six months, and a bill to that effect was passed in May, 1873. This law was renewed twice for periods of six months each. A second report of the commission was made recommending a bill for the adoption of the single gold standard, but this bill was rejected by the second Chamber in March, 1874. When the law suspending the coinage of silver expired, in May, 1874,

immense quantities of silver began to flow to the mint. Silver florins passed in trade at the old ratio of fifteen and sixty one-hundredths, because they were limited in quantity, but it was obvious that they would soon fall to the bullion value of silver. So in December, 1874, a new six-months' suspension of coinage was ordered by the legislative body—the same one that had refused to adopt the single gold standard. Before this period had elapsed the Minister of Finance proposed that the silver coinage be discontinued indefinitely and that gold coinage be allowed. This bill was passed in June, 1875. Here again the gold standard made its way over the heads of the wise men of the time.

THE GOLD STANDARD IN AUSTRIA.

The adoption of the gold standard by Austria is now in progress, and there is every assurance that it will be carried into effect. That country had had the single silver standard since 1857, but was under a suspension of specie payments. When it was ascertained, in 1879, that the decline in silver was likely to be permanent, the Government gave orders to the mints, in both Austria and Hungary, to receive no more of that metal from private individuals for coinage. The effect of this order was to make Government paper money the standard, and this paper varied from day to day in comparison with gold, as did our greenbacks before we resumed specie payments. Some silver was coined on Government account, but as a matter of fact that metal was discarded as a standard by the refusal to coin for private persons. Austria had a gold coinage, indeed, but the gold was commercial money only. It had no legal-tender faculty, but passed at its quoted value from day to day. Since 1879 the problem of finance in Austria has been two-fold, namely, to resume specie payments (which must, under the circumstances, be gold payments) and to fix a ratio at which all paper money and paper obligations should be redeemable. The ratio decided upon was that of 119 paper to 100 gold, that being

the average ratio prevailing in the market during the thirteen years from 1879 to 1892.

As the question of standard was really settled by Austria in 1879 when she closed her mints to silver, we are concerned to know how she came to take that step. The report of the special commission of the Upper House on this subject, submitted last year, says that it had become clear as long ago as the decade 1860–1870, when Europe was becoming saturated with gold, that this was the only metal fitted to be the standard of nations of advanced civilization. "Gold was dominant and the standard of value," says this report, "in all trade on a great scale as early as the fourteenth and fifteenth centuries, even though silver was then the standard in all domestic exchanges. . . . *In every age there is some metal dominant in the industry of the world which forces its way with elemental strength in the face of any public regulation, and in our day gold is that metal.*"

This is as good a statement as can be made of the reasons why not only Austria but all the other nations whose action we have examined, including the United States, have adopted the single gold standard. While Austria has been collecting her supply of the yellow metal we have heard a great deal about the "scramble for gold." Why is there a scramble for gold? Merely because gold is universally acceptable. All civilized people are willing to exchange their property for it to any extent, and this is the only thing they are willing to accept in that way without limit or reserve. That is a good and sufficient reason why there is a scramble for gold and why there is no similar scramble for silver.

A NATURAL EVOLUTION.

If we find a movement of civilized mankind going on steadily for a hundred years, working out in different countries uniform results which commend themselves to successive generations, the presumptions are all in favor of that movement being beneficial. At all events the burden of

proof is upon those who think differently. I am so well convinced of the benefits of the single gold standard that if all power were placed in my hands I would not introduce anything different from it. I should consider it presumptuous to attempt to interfere with an obviously natural evolution in human affairs. I should know, moreover, that such an attempt would be futile, because the first step to be taken would be to alter the preferences and likings of individual men. Society consists of aggregations of individuals who in their private business prefer one ounce of gold to sixteen ounces of silver, or twenty-five ounces, as the case may be. Unless I can change this preference and liking, I can not alter the monetary standard of Christendom. It is this preference which paralyzes all the international monetary conferences. The secret thought of the delegates in the Brussels Conference was something like this: "What would happen the day after international bimetallism if the commercial classes should continue to prefer one ounce of gold to sixteen ounces of silver?" Any responsible minister of finance must recoil before that query.

I think that the "scramble for gold" would be worse the day after the bimetallic treaty than it was the day before, because everybody would suspect everybody else of gratifying his secret desires for gold at the expense of his neighbors. It should be remarked that the Brussels Conference as a body never touched the question of bimetallism, although some of the members improved the opportunity to make speeches on that subject. The conference went to pieces on a minor question — that of buying a little more silver. The proposal was that the nations should purchase a certain amount of an article that none of them wanted. When the representatives of France and the Latin Union declared that they would not recommend that policy to their governments even if it should be adopted, the bottom dropped out of the conference altogether. Although Mr. Bland has given his attention to this matter as a humorist, in a magazine article, I think that he has come short of exhausting the subject.

NO STEPS BACKWARD.

If the successive steps that we have described, whereby the nations have arrived one by one at the single gold standard, had been the result of a hundred years' conspiracy against the "debtor class," instead of being a natural evolution beneficial to all classes, I should still be unable to see any advantage in changing back. Whatever mischief appertains to this evolution has been done and now belongs to the remote past. Those books are closed. To retrace the steps would merely double the wrong, inflicting it upon a new lot. Those who, according to the hypothesis, suffered in the past are mostly dead. If there be any such victims living in France or Germany, in Holland or Belgium, or Scandinavia, they are very slow in disclosing themselves to the various international conferences held for their benefit. They are very backward in coming forward.

What is meant by "debtor class" in this discussion? All men who are not bankrupt are both creditors and debtors. The fact that they are not bankrupt implies that they have more due to them in one way and another than they owe. I am proud to believe that the vast majority of my countrymen are of this class, *i. e.*, of the creditor class. I take it that we are not legislating specially for bankrupts. Certainly it would not be wise to change our standard of value for their accommodation. Such a change would produce a great many new bankrupts and would not save any old ones.

What our country needs is more capital. This is especially true of the West and South. There is a great deal of foreign capital that would like to come here, but is deterred by apprehensions of a change in the standard of value. This is not conjecture on my part, but actual knowledge. I do not think there will be a change of standard. I believe in the persistence of gold both here and in Europe, but the belief is very strong in Europe that we shall slip off the gold standard if we do not go off intentionally. Consequently they keep their money at home, or invest it here

only on call, and they withdraw it in cases where they can do so without loss. This rule operates with our own capitalists more or less. If money is tight it is because credit is paralyzed. Lenders are afraid lest the continued operation of the present silver law should bring about a change of the standard, so that they would get back less than they have put out. While this state of mind continues it is immaterial, so far as borrowers are concerned, whether the amount of cash in the country is large or small.

We are told that there is not gold enough in the world to do the business of the world. I have been hearing this for seventeen years. How do you know there is not enough? If there was not enough seventeen years ago there may be enough now, seeing that there has been an addition to it of $1,500,000,000 during that interval, after making a liberal deduction for the amount used in the arts. The old stock does not disappear with use. I have a gold coin of the reign of Philip of Macedon, on which the name and face of that monarch are so well preserved as to possess artistic as well as archæological value. There is no ascertainable relation between the amount of gold in the world and the amount of business done or to be done. The function of gold *as a standard of value* is increasing, while its function *as a form of currency* is diminishing. The time is surely coming when its currency function in civilized countries will be limited to international payments and to the wants of travelers. That time has already been reached in the greater part of the United States and Canada.

ALLEGED FALL OF PRICES.

We are told that the single gold standard has caused a disastrous fall in the prices of commodities; also that it has put an unjust burden upon those who have borrowed money on mortgage. I have seen no proof that the adoption of the gold standard by Europe and the United States has caused a decline in prices of commodities, nor can I admit that such a decline would be a bad thing. None of us,

when we go to market, complain that prices of food, fuel, clothing, etc., are too low. Mr. David A. Wells has written a book entitled "Recent Economic Changes," which accounts for the fall in price of all the staple articles of commerce, which really have fallen during the past twenty years, accounts for it by the increased facilities for producing and transporting, the same. He has not grouped them all together as our bimetallist friends commonly do, but has taken each one separately. I commend his example in this particular to their imitation.

As to mortgage debts, I have learned by inquiry of the leading mortgage companies in New York that farm mortgages are generally made for the term of five years, and that about twenty-five per cent of them are paid at or before maturity. Consequently any wrong which mortgagors are now suffering in consequence of the gold standard must have accrued since 1888. To redress their supposed wrongs we are asked to turn the whole business of the country upside down and change the rating of all other contracts perhaps thirty-five per cent. But the average duration of mortgages is considerably less than five years. The Topeka *Commonwealth* newspaper a year or two ago made a special investigation of the records of a number of agricultural counties in Kansas, and found that more mortgages were paid off than were put on within the period covered by the investigation. Hence the presumption is that the average life of the farm mortgage in Kansas is not more than two and one-half years. I am aware that many mortgages are allowed to run for indefinite periods after they fall due, but these, after they fall due, are call loans on real estate security. I am not aware that borrowers on call are complaining of the gold standard. At all events, if they are oppressed by reason of that standard they can relieve themselves at any time by paying up. If they do not pay, and are solvent, it must be because they find it to their advantage to endure these so-called oppressions awhile longer. It is safe to say that all these mortgages would be

called in on the first sign of a change in the monetary standard. The tightness of money in such an event may be imagined, but can hardly be described.

NATIONAL DEBTS.

It is insisted that national and State debts are enhanced by the prevalence of the single gold standard. To prove this we are asked to compare the low prices of the present day with prices of past times. Does not that prove that the bondholder gets more value now than he bargained for, and hence that the taxpayer pays more?

No, it does not. Bondholders are entitled to share with others the advantages of low prices of manufactured goods resulting from new inventions and facilities for production and transportation. As to products of the farm, prices were much lower when I was a boy than they are now. Eggs sold then for four cents per dozen, butter for six to eight cents per pound, corn for fifteen cents per bushel, wood for one dollar per cord, etc. If the gold standard has had any lowering effect on prices it has not touched these articles. But why should we shed tears over national and State debts, seeing that our own are nearly all paid? Let the crocodiles of Europe weep over the enhanced burden of national debts, if there be any such enhancement due to the gold standard, which I take leave to deny.

Suppose it were true that national and State debts were enhanced in the manner alleged, would that be a reason for changing the standard of value for the countless daily transactions of business? The bank clearings of seventy-nine cities in the United States for the week ending May 20th amounted to $1,165,478,664, which is about double the interest-bearing debt of the nation. Add to this all the payments of wages, and the retail transactions that are not embraced in clearing-house returns, and then multiply the whole by the fifty-two weeks of the year, and you will see how large a cannon you are loading to kill a mosquito, and what a tremendous recoil it must have.

THE SILVER LAW OF THE UNITED STATES.

Our present silver law, commonly called the Sherman law, is not bimetallism. Anything which comes short of unlimited coinage and unlimited legal tender leaves the gold standard in force in this country. The present law is grounded for the most part upon the idea that the purchase of silver and the issue of Treasury notes against it increases the supply of money in the country, and this notion is based upon the erroneous conception that if the Government did not supply the people with money they would have none. I do not say that the Congressmen who voted for this bill believed these things. Most of them knew better. They were engaged in political fencing. They were putting themselves in position for the next election. But this law could not exist without a body of public opinion to support it, and that body of public opinion holds that the silver law increases the amount of money in the manner I have described, whereas in fact it diminishes the amount of money. It does so by displacing a superior kind of money (gold) and putting an inferior kind in its place, and by creating distrust among investors. So long as the gold standard continues in this country the Treasury notes issued against silver derive their value wholly from the Government credit, because not an ounce of that silver can be sold to obtain the means for gold redemption of them. It follows that the purchase of the silver, instead of being a help to the notes, is a damage to them, because the credit of the Government would be better if the Treasury were not required to make this monthly outlay. If the Government had the right to issue say $4,000,000 of legal-tender notes per month and pay them to its creditors, on condition of redeeming them in gold demand (which is the present condition), its resources would be greater by reason of its *not* being obliged to pay out anything for silver, and hence its credit would be better.

THE CHAIRMAN: I think perhaps the most interesting

fifteen minutes is to come, if you see fit to avail yourselves of the opportunity. Mr. White has kindly consented that you shall ask him questions that bear upon the theme he presents; questions which shall not take the form of debate or argument upon your side, questions which shall be limited to one minute in their asking. If any gentleman wishes to ask him any question in that way, he will take pleasure in answering it.

MR. ROBEY of Rochester, N. Y.: I should like to ask if it was not an unpropitious time to stop free coinage of silver in 1873, just about the time when the country was plunged in enormous debt, not only the Government, but individuals engaged in business, and when enterprises of all kinds had been stimulated by reason of the large amount of currency in circulation. Now, it was at such a time that free coinage was adopted. I would like to ask if it was a wise measure?

MR. WHITE: My reply would be, that I can not see how the time could make any difference, a silver dollar being worth three cents more than a gold dollar and continuing to be worth more than a gold dollar a year and a half longer. There being no silver dollars in circulation and no possibility of bringing them into circulation, and the silver dollar being worth so much more, I don't see how the circumstances of that period could make any difference.

DR. T. P. SEELEY: I wish to ask whether it is not true that the use of or demands for any commodity, whether gold, silver, or wheat, does not increase the value of that commodity, and if the taking away of the use or demand for any commodity does not take away from the value of that commodity? Did not the taking away of the use of silver or the diminishing of the use of silver by Germany and by the United States take away the demand for silver bullion, consequently take away the demand for the value of silver bullion? Did not the increased use and demand for gold, which was created by taking away the use of silver as money and the prospective use of silver for money, increase

the demand and use of gold and increase the value of gold throughout the world?

MR. WHITE: The action of the United States did not make any difference, because we did not have any silver in 1873. As to the action of Germany, I said in this paper that, whether it did or not, it might have an academic interest, but it could have no direct interest, because we could not control the action of Germany. Now, as a mere matter of abstract reasoning, I should say that the withdrawal of the demand for silver, the conditions of supply remaining the same, would cause the silver to fall. I agree to that, but I repeat again, that it can not make any difference to us what Germany did, because we could not control it.

MR. JOHN A. GRIER: I would like to ask Mr. White if it is not a well-known historical fact that there was more than two million silver dollars coined at our mints within the twenty-four months preceding the demonetization of silver in 1873.

MR. WHITE: You mean trade dollars?

MR. GRIER: No, full legal-tender dollars.

MR. WHITE: There were 6,845,000 silver dollars coined between 1834 and 1873, and the bulk of them may have been coined at the time you mentioned. I have not looked into that particularly.

MR. GRIER: As an historical fact, allow me to say that more than two million silver dollars, the full legal-tender dollars, were coined within the twenty-four months preceding the date of the demonetization of silver.

MR. HENRY ALTMAN: Of course it goes without saying that Mr. White's speech to-night has demonstrated that he has been a very careful student, and I wish to ask him this question—I often hear it stated, and I never have been able to get at the correct solution—did or did not Germany and Austria, when there seemed to be such a flow of gold from Australia and California in the years preceding 1857, demonetize gold?

MR. WHITE: The single silver standard was adopted

by Austria, and I think by Germany, by treaty in 1857. I think they had been double standard countries before that time. I will not speak positively, but it is my recollection, that they were previously double standard countries and then adopted the single standard.

MR. ALTMAN: For the reason, I suppose, that up to that time the supply of silver had been very limited, and it looked as though the world was to be flooded with gold, and hence they demonetized gold as a source of protection.

MR. CHARLES L. JOHNSON: I should like to inquire whether the demonetization of silver in 1873 and the continued use of gold as a single standard does not operate as a contraction, perhaps a gradual contraction, of the currency?

MR. WHITE: You ask my opinion. I say no, I don't think so.

MR. F. C. HICKS: I would like to ask if the decreased price or value of silver, in the opinion of Mr. White, is due to the increased production merely?

MR. WHITE: That is my opinion.

BANKING AND CURRENCY—THE NEED OF A SOUND SYSTEM OF BOTH.

BY HON. JOSEPH H. WALKER OF WORCESTER, MASS.

THE Chairman, Mr. Lyman J. Gage, introduced the speaker with the following remarks:

The address first named on the programme for the evening, namely, "The World's Experience in Banking," by the Hon. Bradford Rhodes, having been delivered in the morning to take the place of the address expected from John Sherman on Monday, the session will open with an address by a gentleman who has given great thought and study to the monetary problem of the United States, if not of the world; who is fresh and vigorous in his talks; who has been active in debates on this question, the Hon. Joseph H. Walker, member of Congress from Massachusetts. He wishes me to say that while the subject is large, he does not expect to occupy more than thirty minutes of your time. In order that a fuller expansion of the subject might be had by those present who may desire it, he has brought with him the full text of his article, which will be found at the door as you go out. You are invited to take one if you are so inclined. I now have the honor of presenting Mr. Walker.

ADDRESS OF MR. WALKER.

Never did a body of men meet, in peaceful times, under more anomalous financial conditions. It is conceded that the prosperity of a country depends upon steady employment, high wages, and prompt payments for the masses of the people. It is stated by those who have most carefully investigated the subject, that wages are very much higher, employment is more steady, and payments are more prompt

in this country than in any other. It is also stated that the people of the United States are taxed less per capita than the people of any other civilized country. We have also had the inestimable advantage of vast quantities of as fertile land as any on the face of the earth, free to the taker, or at a price scarcely more than nominal. We have received a body of emigrants, many of them of the very best brawn and mind, who have made, and furnish, with our own people, the best market in the world. Every condition, in quality of soil, in climate, in character of our people and institutions, has conspired to make for this country a prosperity such as no seer ever prophesied or poet ever sang. Our consumption of commodities has been three times per capita that of Europe, making our market the equivalent of 200,000,000 of European people. We consume one-third of all the goods manufactured in the world, which equals a market for manufactured goods of over 600,000,000 of average people. In fact, our prosperity and development can scarcely be realized. So favorable has been our condition that a bad financial system and a most expensive currency has not seriously injured the country until now, when its evils have culminated. Faulty finances have been to us like a mole on the arm of a man reveling in his strength, until it has developed into an ugly ulcer poisoning his blood. We are now fully conscious of our condition, and all are agreed that some remedy must be had. To hold Secretary Carlisle responsible, and abuse him, for our culminating financial ills is as just and rational as the abuse heaped upon an attendant in the delirium of fever.

The simple fact is that the disease has ripened, and our trouble is in proportion to our previous good health, like fever in lusty youth, which is all the hotter and more dangerous because of his vigorous body. My contention is and will be, throughout this paper, not that we have less paper money, but cheaper and better money.

The affirmative of the question assigned me, viz., "The commercial need of a sound system of money and banking,"

is so obvious, and admitted by all, that I shall devote the time allotted me to an exposition of the subjects embraced in the question, viz., money and banking, and to the anomalous financial condition of the country. In order to an intelligent discussion of the question, it becomes necessary that I should first clearly state the nature and function of "money" in its relation to all other forms of wealth, and—secondly, to state clearly the nature and function of "banks" in their relation to all other owners and dealers in property—wealth.

Wealth is roughly divided into three classes:

1. Productive wealth.
2. Consumable wealth.
3. Coin.

Coin is neither productive nor consumable. It has but two uses, viz., that of a measure of the value of commodities, at the point of their exchange only, and that of currency. Coin being absolutely dead capital, producing nothing, and non-consumable, the having or keeping a dollar of coin more than is necessary is an utter waste to the country of all the capital invested in coin in excess of what is necessary. A sufficiency is enough, in coin or paper money, as in all other things.

Productive wealth is, roughly, real estate. The handling of titles to this form of wealth is the business of savings banks, trust companies, insurance companies, and all other companies or individuals dealing in titles to wealth that are known as solid securities. This business is wholly distinct from that of banks of issue, or banks handling titles to "consumable wealth," which banks only are contemplated in the question before us.

Banks of discount, which this discussion concerns, are formed to deal in titles to "consumable wealth." They buy and sell wealth that is "in transit" between the producer and the consumer. In economics, any consumable thing, in whole or in its parts, is said to be "in transit" from the time it is begun until it reaches the possession of the man who

does not propose to sell it again. A stove is "in transit" from the time the ore that enters into its construction is mined until it is purchased by the man who sets it up in his house. A pair of boots or shoes is "in transit" from the time the skin on the animal begins to grow until the boots or shoes go into the possession of the wearer. The bank, in making what is called a "loan" to its customer, thereby transfers a specific amount of its property to the possession of the so-called "borrower," and the borrower gives to the bank, in exchange for that title to the property of the bank, a title to his (note) undivided property or that of some other man (the property represented in the note). This property is deliverable to the bank on a specified day in the future and to a sufficient amount in excess of the property the bank transferred (called interest or discount) to compensate the bank for the use of the funds the bank loaned between the date when the bank delivered its property to the borrower and the date upon which it is to be returned.

In order to get clearly in our minds what is the real, rather than the seeming, function of a bank, we must get at the fundamental thing a bank does; and what I have stated is exactly what a bank really does. In making all loans, each particular paper given is identical, in essence, with every other; whether a check, draft, bill of exchange, or paper money, or a credit to the borrower on the books of the bank. The real thing the borrower gets is capital. The paper money he gets is not "the loan." It only represents the loan, and passes out of his possession in a day. It is only a token, a symbol of the capital — the wealth — which the bank transferred to the borrower. While the specific piece of paper, of whatever name, which the borrower secured passes out of his hands in a day, the "capital" borrowed of the bank by him remains in his possession for the seven, thirty, or sixty days, or four months, as the case may be, as well as the property he is subsequently to deliver, and for the length of time the obligation runs. In other words,

men do not borrow or lend "money," but capital—wealth—property. We talk of borrowing and loaning "money" as we talk of the sun's rising and setting, and the form of speech concerning the one is no more accurate than concerning the other. We know the fact to be that the earth revolves, while we say "the sun rises." We know we borrow and lend "capital," while we say we borrow "money," which is only a title to wealth, as a deed is a title to land. It is as irrational to attempt to increase wealth by increasing money as it would be to talk of increasing land by increasing deeds. Money is no more wealth than deeds are land. Money is only a title to property—wealth—as deeds are titles to land, and neither is useful beyond its power to give possession of the thing it signifies.

As the average daily transactions of banks are about $400,000,000, it follows that the banks buy and sell, of business men, each year, about $120,000,000,000 of property. I put this statement in this simple and popular form to divert attention from the false notion that money is substance in business transactions, instead of a token. It is as untrue that money is wealth because it conveys the ownership of wealth as it is untrue that freight cars are merchandise because they carry merchandise, and as foolish to think of adding to the wealth of the country by increasing money as to think of increasing merchandise by increasing freight cars. It is a very serious thing, to any country, to be short of the number of cars that can be profitably used to carry every passenger who buys his ticket to ride, or to carry every pound of merchandise that offers for transportation, but to have any more of money, coin, or paper, or of cars than is necessary is not only a positive loss to the country, but is an excrescence upon and demoralizing to all legitimate business.

The loanable funds held by national banks in this country is shown, by the report of the Comptroller of the Currency, to be in round numbers $2,800,000,000. Of this sum, $1,800,000,000 are deposits of customers and the balance belongs

exclusively to the banks. The loans and discounts are $2,200,000,000, and the other $600,000,000 is held as a reserve. This means that the banks hold titles to $2,200,000,000 of the consumable wealth of the country, that is now in the hands of the farmers, manufacturers, merchants, etc., and that farmers, manufacturers, merchants, etc., hold titles to $1,800,000,000 of the funds now in banks. As the deposits are $1,800,000,000, and the daily transactions are $400,000,000, it is evident that the average time each deposit remains in bank is four and one-half days. This $1,800,000,000 of capital is and can only be made available to all the community by banking. Its constant use would be impossible without banking or its equivalent. Upon the principle of chances, as railroad trains are run and all other things done, the banks know that their deposits will average to equal the amount drawn from them each day, and therefore they make loans on thirty, sixty, or ninety days, or even four months. They do this knowing that the capital they are the agents in loaning once will change real ownership from seven and one-half to thirty times before the capital loaned will be returned. Without banks or their equivalent, each man would be obliged to keep all the time as much quick capital as he needed at those times when needing the most, and this $1,800,000,000 will lie dead capital. Furthermore, it is impossible for any other agency than banks to economically issue paper money that is sure of immediate redemption in coin on demand. The issue of paper money is not necessary to, or even an essential part of the function of, banks. Some banks, whose customers do all, or nearly all, their business with checks and drafts, now refuse to issue currency, and there is no device by which such banks could keep it in circulation, in sound banking. There are hundreds of private bankers in the country, whose connection with national banks, as officers, etc., enables them to put all the onerous duties of banking upon such national banks, and take only the more profitable business to themselves, who have no desire to issue currency.

Banks are public markets for the exchange of their own *bona-fide* capital and that of others, which capital can not be diminished. All the currency or other paper they issue is only to facilitate the exchange of capital. Government, on the other hand, has, and can have, no capital. In economics it is only an agent to collect and expend taxes. Government, State or national, has no machinery, and can construct none — none can exist excepting such as inheres in the bank — that will enable it to issue paper or coin money excepting at an enormous cost to the people, unless it becomes a full-fledged bank. The annual direct cost of the experiment of doing so, which the United States Government is now trying, is $40,000,000 or more, in direct and indirect taxation of the people. Had we a rational national banking system; had we a banking system conformed to what the experience of the centuries approves; had we a banking system modeled after the solid, safe, and economical system of England; had we a banking system modeled after that of Germany; every loan and discount made by banks could be made at a rate of interest about one per cent lower than they are now made, and the banks pay as large dividends as now. A saving of one per cent on the $2,200,000,000 loans and discounts would be $22,000,000 annual saving to the people. If we had had a rational banking system wholly dissevered from the Government, excepting in police supervision, for the last thirty years, we never should have heard of a political "coinage question," either of gold or of silver. Had we now such a banking system, we should not be carrying more than $400,000,000 of coin in excess of what we can possibly find economic use for. This excess entails an annual loss at five per cent of $20,000,000, which, added to the $22,000,000 which the people are made to pay in excess of interest, makes an annual loss to the people of over $40,000,000. Not a dollar of coin in this country is earning, or can be made to earn, income. That can be done only on coin in bank reserves; where the visible coin in Europe is, and is there earning an income.

That my words are the words of truth and soberness is susceptible of very easy demonstration. The fundamental principles of the banking system of England have stood every shock of and been justified by eighty years' experience. Hers is one of the most successful financial systems ever devised, as to safety, cheapness, flexibility, and abundance. Compared with that of the United States, it shows our system to be expensive, rigid, and uncertain. Our system of finance, as compared with that of England, ought to bring the blush of shame to every statesman who is responsible for its existence. Every dollar of coin money habitually carried in the pockets of the people must be deducted from the aggregate coin in a country, to ascertain the amount of commercial coin. Coin in the pocket performs only the function of currency. As much goes back into the pockets of the people each day in payment as comes out of them in the purchase of commodities. Therefore the coin in the pockets of the people is a perpetual or dead deposit, so far as commerce is concerned. This is equally true of all paper money. Economists can take cognizance only of "visible coin" as the coin of commerce.

According to the report of the Director of the Mint, we have $1,200,000,000 of coin in this country.

We have of visible gold coin	$337,000,000
We have of visible silver coin	468,000,000
Total visible coin of commerce	$805,000,000
France has of visible gold coin	$264,000,000
France has of visible silver coin	251,000,000
Total visible coin of commerce	$515,000,000
Germany has of visible gold coin	$206,000,000
Germany has of visible silver coin	56,000,000
Total visible coin of commerce	$262,000,000
England has of visible gold coin	$125,000,000
England has a visible silver coin	0,000,000
Total visible coin of commerce	$125,000,000

The mere reading of these figures ought to bring the blush of shame to every American who knows the feeling of financial security and power -- the unbounded confidence -- that reposes in the breast of every inhabitant of Great Britain, and the well-grounded sense of insecurity, weakness, and fear that prevails here, which is paralyzing every enterprise in this country. Whose fault is it that this condition of things exists? Who are the statesmen, or non-statesmen, who should be held responsible? One party has been relegated to the rear. Has the other party the courage to remedy an evil so palpable, so gigantic, and yet so easily corrected?

Our banking laws have three admirable features:

1. Their supervision by expert examiners and the publicity of their condition, which ought to be made even more thorough and controlling than now.

2. The requirements for bank reserves, and especially their being allowed to keep a part of the reserves at the great banking centers.

3. The certainty that the "currency notes" of the banks will ultimately be paid in full.

While each one of these things is eminently desirable, not one of them, or all of them combined, compensate for the fatal defects of the system. Every one of them can be secured as well, or better, in a better system. Furthermore, they are no part of banking proper. Every man in this country, at all informed on the theory or practice of sound banking and the best methods of furnishing the people with a sound and cheap currency, knows that the currency furnished our people under existing banking laws is the most expensive and the poorest in every respect save one of any currency that is furnished to the people in any first-class nation.

All persons whose investigations and experience give their opinion any special value know that the money of the people should be:

1. Safe.
2. Abundant.
3. Elastic.
4. Cheap.
5. Uniform.
6. It should be in the locality of its issue, where it is most needed, so far as it is practicable to have it.

In every one of these elements of a sound currency, or "good money," the United States stands at the foot of the list. Not a man present will dispute the proposition that what makes a "sound currency," or "good money," is its certain and instant current redemption, convertible into coin, when a demand for coin is made. This demand is made and answered ten times, or ten thousand times, as the case may be, with every dollar, during its life, and as often as it is returned to the bank issuing it.

Where two coins of different commercial bullion value are legal tender, sure redemption means that it be instantly done in the coin of the highest commercial bullion value. "To doubt money is to discredit it." There is not a man present who does not know that all-pervading doubt exists as to the continued current redemption of our currency. This fear is manifest everywhere, and is injuring every business and occupation, and paralyzing some. This injury to industries is more or less apparent in proportion to their magnitude and fundamental character. It is not done to ourselves alone, but its effect is world-wide. How thoroughly inexcusable, and even disgraceful, to the country our financial condition is will be made apparent by seeing how impregnable and superior to all others our position would be had we a proper national banking act.

All economists know that coin is now used almost exclusively as a "measure of value," certainly so in this country, and also that foreign commerce alone really tries the "coin strength" of a nation's commercial system. We have men of commanding intellect and genius, the equal of those in any country or of any time. Have they been playing the

demagogue, for party advantage, on questions of finance? The genius of her statesmen maintains a commercial system in Great Britain, the absolute impregnability of which is nowhere questioned, on $125,000,000 of visible gold, while she has a foreign commerce alone of twenty-five dollars to every dollar of her visible gold. We have $337,000,000 of visible gold and a foreign commerce of only two dollars and twenty cents to each dollar of visible gold; and yet every acknowledged financier in the country is compelled to distrust the soundness of our money and our financial integrity. Is it not perfectly clear that with three times as much of the gold of commerce as Great Britain, and with only one-twelfth the demand upon each dollar of this gold that is made upon each dollar of the gold of Great Britain, all our financial troubles and anxieties are caused by the discreditable financial system, and are not caused by our lack of financial strength or our need of more gold, or more coin of any kind. The facts I have given show that in gold, proportionate to England's, or to any legitimate commercial demand that could be made for it, had we a sound financial system, no fear would exist. Our stock of visible gold coin is proportionately 3,829 times as large as that of England. Did England insist on hoarding as much gold, in proportion to her commerce, as we now have, she would insist on having $1,424,000,000 in gold instead of $125,000,000. Her statesmen absolutely refuse to be at the trouble and expense of keeping more than $125,000,000, or one-twelfth of the vast proportional sum we now have, and for two reasons; first, because it would tax her people $6,500,000, or an annual tax of twenty cents on every man, woman, and child, and secondly, because it would embarrass every other nation and ruin her commerce. Compare the wisdom of her statesmen with that of ours. Here we unblushingly put an annual tax on our people of sixty-seven cents a head, by a financial system infinitely inferior to that furnished free of charge to the people of Great Britain by her statesmen.

Again, the actual daily need of coin is not a matter of speculation. As I have before said, our daily bank exchanges are about $400,000,000, and we know that only one and one-half per cent of them are made in coin. This proves beyond peradventure that our actual daily use is only $6,000,000 of all kinds of coin. Six millions against a stock of $337,000,000 of visible gold alone, and about $800,000,000 in all kinds of coin! and yet, like Oliver Twist, while shivering with fear, we call for more, and refuse to conform our financial system to approved methods.

Again, the efficiency of each one thousand dollars in coin, in making the exchanges of the world, has increased a thousand-fold faster than have the exchanges of any country, or of the world. This efficiency has increased faster in the last ten years, and is now increasing faster than ever before, by the better use of railways, steamships, telegraphs, telephones, and, above all, in improved commercial methods and economies. In trade between Boston and Canton, the efficiency of each one thousand dollars in coin has increased thirteen thousand times since 1830, one thousand dollars now being the equivalent of thirteen million dollars under the methods of 1830. Then, a ship loading for a six months' voyage to Canton took its supercargo to trade for a return cargo, and what coin it needed to pay the difference. Now the coin is transferred by telegraph, and an answer received in five minutes. Thirty days was consumed in going to and from Boston and St. Louis. Now, coin is transferred in one minute. Coin is now ten thousand times more efficient in that trade, one thousand dollars in 1830 being equivalent to ten million dollars now; and so on to the end of the chapter. The most enterprising, progressive, and courageous nation in the world allows ignorance, prejudice, and supposed class interest to cast it down to the foot of the nations, in use of its real and comparative financial strength, integrity, and economies.

In the second and third qualities of sound money, abundance and elasticity, we are at the same disadvantage. No

currency can possibly be "abundant" that is not elastic. Have as much as you please, and it still will be cribbed and confined. This we know from experience. At a fixed and invariable amount, whatever the amount may be, normal business adjusts itself to that amount. At the moving of the crops, or at any other periodical expansion of trade, there must inevitably be a stringency. Instead of all uniting to conform our financial system to approved methods, we have two bodies of citizens fighting a fierce battle over this foolish question of "quantity." One is contending that we have not enough money, and the other that we have too much. Both are right and both are wrong. This country must have an elasticity of from $100,000,000 to $200,000,000 in its currency, between the maximum and the minimum amounts. Our currency never will be abundant or elastic until we adopt a system that will allow an adjustment as wide as I have indicated.

Fourth, as to "cheapness," our money averages to cost our people, in interest on loans, fully one hundred dollars where it ought to cost no more than eighty-six dollars, or one-sixth too much. There is not another first-class country in which the reserves of its banks are not kept in coin. There is no such country, excepting the United States, where every dollar of its funds—the wealth—of the people, in its banks, is not available to the banks, to loan. In every country, excepting the United States, the banks are allowed to issue currency (circulating notes) to an amount equal to their reserves. In other countries all the visible coin is in the reserve of banks, where the people can surely get what they need of it at any moment, by presenting the paper issued by the bank to the amount of the coin they desire. Notes being issued by the banks to the amount of their reserve, every dollar of banking funds is earning an income. Here, not a dollar of the bank coin reserves is earning any income.

In England, Germany, France, etc., the coin reserves of banks are performing three functions:

1. They are used to measure values, in every transaction in the country, as all transactions are ultimately and equivalently settled in the banks. The paying of the "final balance" in coin is the equivalent of each bank paying each single obligation in coin.

2. They act as our bank reserves act. They are at hand to satisfy any and every obligation against the bank, which obligations practically mature only in balances shown, of debts and credits between banks.

3. Currency notes are issued to an amount equal to these coin reserves, and they are thus made a source of as much income to the bank as any of its "quick" funds.

As I have before said of the $2,800,000,000 of banking funds in our banks, $600,000,000, or more than one-fifth, is absolutely, needlessly, and foolishly—I had almost said wickedly—and by compulsion of law, held out of earning an income. This is an enormous sum. While we glibly pronounce the words, we fail to realize the significance of this enormous loss. The law only compels about $400,000,000 to be kept in reserve. Had we a financial system that justified the same confidence that is felt in other countries the usual reserve would be no more than $400,000,000. I therefore use $400,000,000 in my calculations, proving by them that the average bank "loan and discount" is forced by the law to a price to the borrower one-sixth higher than its normal price would be had we a rational system and that of other countries. Assuming an average interest at six per cent on the loans and discounts of national banks, viz., $2,200,000,000, the interest amounts to $132,000,000. One-sixth of this sum, or about $22,000,000, is absolutely wasted to the people, in unnecessary cost. One-seventh of the funds in banks, viz., $400,000,000, being compelled to be held from earning an income, the interest charges on the remaining six-sevenths must be one-sixth higher.

5. As to "uniformity." Our currency is admitted to be about as uniform as was the color of Jacob's cattle.

6. Having currency "in the locality of its issue and

where most needed" is of very great importance. No one would claim that existing law is so framed as to legitimately press currency back to the locality of its issue. The requiring of a proper system of current redemption for and paying out of currency by banks, by not allowing them to pay out their own currency when they have that of other banks in their vaults, would induce them to return the currency of other banks to the United States Treasury for redemption, and thence to the banks issuing it. Banks can earn no money on their own currency unless out of its vaults in circulation. This would influence banks to give local men and local business the preference in all loans, in order to keep the currency out as long as possible, which would be an advantage to the section of country where a bank is located, not realized by those who have not seen the experiment tried.

The definitions and illustrations introduced in this paper show that the nature of money is such that it is physically impossible for governments to do more concerning it than to exercise a police supervision over it, and that banks take the place of "money." In fact, banks are money, in the check, draft, bill of exchange, etc., issued on them. Every sound business maxim, every correct business method, presupposes a bank as a part of each business concern. Banks are interwoven with, and are a part of, all business enterprises. It is a physical impossibility for a government to be an agent in any part of banking without being a "bank" and copartner with every one of its patrons. Banks have come to be an inseparable part of every business, as they are an inseparable part of currency, whether they issue any currency or not. It is shown by the returns made to the Comptroller by national banks, on a given day, on two or more occasions, that the percentage of coin used in in each day's transactions is about one and one-half per cent; of currency bank notes, about four and one-half per cent; and of checks, drafts, bills of exchange, etc., which do the work of money, about ninety-four per cent. Issuing

paper money by banks is essentially and actually no more in kind than writing a credit on the book of the customer of the bank. If to-day the use of every check, draft, bill of exchange, etc., were prohibited and should cease, and "bank currency notes" take their place, and thus the issuing of bank bills be increased more than twenty-fold, it would not increase the liability of a bank, or affect it in any way, working no advantage or injury to it. It would simply inconvenience and increase the risk to every person in the community doing any business, and almost beyond calculation.

A moment's investigation will show that, striking as this statement may be, it is absolutely true. The business man would then keep that money in his safe or vault, instead of keeping his blank checks or drafts. He would then be obliged to have his currency money in his safe to the same amount that he now has credit on the books of the bank. Again, the deposits which every prudent business concern carries in a bank bear a certain percentage to the business of the concern, as reserves do to banks, and are to each one carrying them his reserve to meet contingencies known or unknown, precisely as the bank keeps the reserve required by law of fifteen per cent or twenty-five per cent, as the case may be, to meet contingencies. Some business concerns secure from the bank, or otherwise, on each Monday morning, enough money to pay every obligation maturing in fourteen days. The concern then has one-twenty-sixth as much money on hand as its annual business. This is its reserve capital—capital not in active use. When the sun rises on the following Monday, it still has a reserve amounting to one-fifty-second of its annual business. This is exactly what banks do. They are simply business concerns, and do their business as other business is conducted.

Simply coining metals into money for private persons is no part of issuing coin money, even by the Government, in the sense in which the term is now used. Never did any government try the experiment of issuing money any more

faithfully, or under any more favorable conditions, than has the Government of the United States. The utter want of confidence in the money of the country, betrayed in every financial quarter, pronounces the experiment a failure. Look at the existing conditions. We have of:

Legal tender notes (old issue)	$ 347,000,000
New Treasury notes (July 14, 1890)	130,000,000
Gold certificates (paper)	143,000,000
Silver certificates	327,000,000
National bank notes	172,000,000
Currency certificates	11,000,000
Total paper outstanding	$ 1,130,000,000

wholly dependent on less than $100,000,000 for redemption.

While theoretically the Government is responsible for the current redemption of the $347,000,000 legal-tender notes only, whoever is to finally redeem it, the Government, in fact, must "currently redeem" in coin every dollar of the $1,100,000,000 as long as there is a legal-tender note in circulation. Were every dollar of this $1,100,000,000 currency issued by the banks, they would now have in their vaults to redeem it every dollar of the visible gold in the country, viz., $337,000,000. All visible gold in England, Germany, and France is in the banks of those countries. The inexorable laws of trade and finance compel it. These laws are such that gold can not be taken from any bank and not be quickly returned to some bank, and ultimately to the bank from which it was drawn. Proper banking laws, establishing a proper banking and financial system, make it strongly for the pecuniary interest of every bank to conserve the gold it needs; still more strongly is it for the pecuniary interest of every man in the country to help the banks to get and keep the gold they need. On the other hand, every law of finance and trade militates against the getting or keeping, by a bank or by any person, gold it does not need. In finance the government counts only as an individual. Bankers have a thousand legitimate and beneficent ways of keeping the gold they need, and for the

use of any person who demands it of them. The Government has none. Banks are obliged by their regular customers to keep gold, and wholly and necessarily at the expense of the bank and to the good of every citizen of the country, rich or poor. No bank will keep one dollar in gold more than sound finance compels it to keep, as witness the Bank of England, which keeps an average of only $125,000,000 of gold, and refuses to have any more. The United States Government, and every other government, has, and can have, no legitimate and normal need of coin under a rational financial system. Under our hybrid system, it is utterly helpless to get and keep one dollar of gold, surely as foolish legislation is now compelling it to get it, unless it is freely and benevolently given it by friends. It is inevitably in the attitude of a mendicant, naturally and inevitably, by the laws of the universe, which fix alike the condition of individuals, governments, and banks. Its attitude as to money is the exact opposite of that of banks.

While there is a single million of legal-tender notes in circulation that current money can be exchanged for, the Government is inexorably bound to redeem every dollar of the whole $1,100,000,000 of currency afloat. Every one of us knows that no power could overcome the natural defenses of banks so as to divert $337,000,000 of gold from them, while every one knows that the $100,000,000 in the United States Treasury is as utterly defenseless as it would be in the possession of an individual doing as much business and owning a floating debt of $1,100,000,000 in demand notes, as does the United States. Every one is now demanding that the issue of legal-tender Treasury notes to the amount of $4,500,000 a month, for the purchases of silver for the sole purpose of increasing the Government currency, shall cease. But if our financial and banking system is a proper one, why repeal that law? Let the purchases go on. No matter if the business of the country is being paralyzed by fear of the inevitable consequences of governmental money. If the Government can safely furnish currency of any kind,

or to any amount, no better kind, or one that is more secure, can be found. Let the purchases go on, for "right is right," and "truth is truth." The final result must justify all right action. Let the country suffer and wail in its strength; the final result must be beneficial. Politicians of one party are putting the politicians of the other party "in a hole," and demagogues and money cranks are in a delirium of joy. Or else let the Government boldly go into the banking business. There is no middle ground. As I have said, banking is issuing titles to banking funds in exchange for titles to the property "in transit" of its patrons, which titles are being made, and maturing in equal volume, every hour. If wisely managed, they can not be drained of coin. Governments are simply great corporations, subject to every financial law and condition of every other business concern, great or small. It can do a banking business as well as any farmer, manufacturer, or merchant.

There is, then, only one sure and effective remedy for the financial ills that every candid man admits are now afflicting our country. There is no help for us while the Government continues its purchases of silver to increase currency, or while the United States Government is responsible for the "current redemption," in either gold or silver coin, of a single million of Treasury notes or legal-tender notes. We know the people will not justify Congress in levying taxes to pay them; therefore some other practical method of disposing of them, of which the people will approve, must be devised. Neither can the tax on State bank circulation be safely repealed until every Government legal-tender note is disposed of.

The Committee on Banking and Currency of the last Congress reported to the House a bill (H. R. 10615), which will be before the next Congress, which fully meets and remedies every defect and difficulty of our financial situation. Repeal the purchase clause of the silver act of July 14, 1890, and pass the banking bill mentioned, and we shall

be immediately in a stronger financial situation, as well as in every other, than any country on the face of the earth.

For security (1), the bill provides that every bank shall keep its cash reserve in coin, at least half in gold coin, and may keep the other half in silver coin.

For quantity and elasticity (2), that banks may issue currency notes at any time to an amount equal to their average reserve during any six consecutive months in the previous year, and the Comptroller may reduce the sum to their average reserve during any other six consecutive months, thus earning income on the reserve, and giving elasticity of $100,000,000 to $200,000,000.

(3) That banks must proportionately take upon themselves the "current redemption" of existing legal-tender notes, by each bank taking a part of them equal to the currency it issues because of its reserves, the Government to "finally redeem" them when the bank goes out of business.

(4) For more perfect examination and reports by the examiners.

(5) For an expert board of advisers (directors) associated with the Comptroller.

(6) That banks may be used by the Secretary of the Treasury to do the work of current redemption of bank notes, etc.

(7) Bonds are eliminated, but every other beneficent feature of our present national banking system is kept and perfected, and a tax imposed upon banks of one mill per annum on each dollar they issue of currency. This tax, small as it is, will yield many times more money than the losses to holders of bills could possibly be, as shown by thirty years of experience. This tax to remain in the United States Treasury in place of bond security.

The scheme contains not a single new feature in banking. It would simply apply to banking in this country those maxims and regulations concerning all things affecting banks that are approved by the experience of the ages and are now in operation in the strongest European banks.

THE NECESSITY FOR THE USE OF SILVER AS MONEY IN THE UNITED STATES.

By Hon. James H. Platt of Denver, Colorado.

FOR four days you have been listening to able papers and addresses from the professional bankers and financiers of the country, largely in favor of the adoption of gold as a single standard by the United States. It is perhaps well that you should hear a little something from a layman after all this time. You remember the old story that was told a few years ago about the clergyman out at Bar Harbor. He had an engagement to deliver a sermon in Boston on Sunday, and the last boat by which he could reach Boston was to leave Bar Harbor at four o'clock in the afternoon. Accompanied by a friend he walked leisurely down to the landing, and just as he got there found that, by some change in the tide, the boat had been forced to leave a little before time, and he was left. Just at that moment a porter from one of the hotels, loaded down with what we call gripsacks out West, and bundles, came hurrying up and took in the situation. Dropping his bundles and wiping the perspiration from his forehead, he immediately began to use very strong language, and swore like a pirate. The gentleman who accompanied the clergyman said, "Stop that! this gentleman is a clergyman." "Let him alone," said the clergyman. "There are times when the services of a layman are absolutely indispensable to a clergyman." [Laughter and applause.] It is well, sir, that you should hear sometimes from your constituents, from the people who give you bankers and financiers the incomes you get from your accumulated wealth. It is a very fortunate position for you gentlemen to be in, to control

capital, to lend it out to other people, and get his pay; but suppose you destroy the earning capacity of the men who borrow your money, suppose there was no one to borrow it, where would you be, and what good would your money do? Therefore, sir, I think you ought to be *en rapport*, in touch, with the feelings of the men in this country who are conducting its industrial business, who are opening and developing its resources, who are earning for you the income which sustains you in comfort and luxury without the necessity of taking the risks and chances which they are taking all over the country at all times. I speak, sir, from the standpoint of a manufacturer and producer. I am trying to make a living by making something, employing labor, and I am having a very hard time. I am sick and tired, sir, almost to death of doing business, or trying to do business, on a falling market, as I have been ever since silver was demonetized in the United States in 1873. [Applause.] The other manufacturers of the United States, the business men, the merchants, the farmers, every man who is a producer, making anything or producing anything, is getting to-day just as tired as I am. They are looking for the cause of it, sir. They have taken to investigating this subject for themselves. They are beginning to think they have found it, and if you gentlemen need any help in damning the Sherman bill, if you need the services of any one else to help you do it, let us do it, sir. We will send you a detachment of laymen from the mines and ranges and workshops of Colorado that will do it up to your entire satisfaction — either the Sherman bill or any other makeshift of that character which has been forced upon the people of this country in the financial management of the last twenty years.

I need not stop, sir, to spend time in convincing you or this audience in regard to the troubles and trials and tribulations, and the bad effects upon every industry and everything in the country by an era of falling prices. I will ask permission to read from a report made to the Senate of the

United States by a monetary commission appointed by the Senate seventeen years ago.

"At the Christian era the metallic money of the Roman Empire amounted to $1,000,000,000. By the end of the fifteenth century it had shrunk to less than $200,000,000. During this period a most baleful and extraordinary change took place in the condition of the world. Population dwindled, and commerce, arts, wealth, and freedom all disappeared. The people were reduced by poverty and misery to the most degraded conditions of serfdom and slavery. The disintegration of society was almost complete. The conditions of life were so hard that individual selfishness was the only thing consistent with the instinct of self-preservation. All public spirit, all generous emotions, all the noble aspirations of man, shriveled and disappeared as the volume of money shrunk and as prices fell.

"History records no such disastrous transition as that from the Roman Empire to the Dark Ages. Various explanations have been given of this entire breaking down of the framework of society, but it was certainly coincident with a shrinkage in the volume of money, which was also without historical parallel. The crumbling of institutions kept even step and pace with the shrinkage in the stock of money and the falling of prices. All other attendant circumstances than these last have occurred in other historical periods, unaccompanied and unfollowed by any such mighty disasters. It is a suggestive coincidence that the first glimmer of light only came with the invention of bills of exchange and paper substitutes, through which the scanty stock of the precious metals was increased in efficiency. But not less than the energizing influence of Potosi and all the argosies of treasure from the New World were needed to arouse the Old World from its comatose sleep, to quicken the torpid limbs of industry, and to plume the leaden wings of commerce. It needed the heroic treatment of rising prices to enable society to reunite its shattered links, to shake off the shackles of feudalism, to relight and uplift the almost

extinguished torch of civilization. That the disasters of the Dark Ages were caused by decreasing money and falling prices, and that the recovery therefrom and the comparative prosperity which followed the discovery of America were due to an increasing supply of the precious metals and rising prices, will not seem surprising or unreasonable when the noble functions of money are considered. Money is the great instrument of association, the very fiber of social organism, the vitalizing force of industry, the protoplasm of civilization, and as essential to its existence as oxygen is to animal life. Without money civilization could not have had a beginning; with a diminishing supply it must languish, and, unless relieved, finally perish.

"Symptoms of a disaster similar to those which befell society during the Dark Ages were observable on every hand during the first half of this century. In 1809 the revolutionary troubles beween Spain and her American colonies broke out. These troubles resulted in a great diminution in the production of the precious metals, which was quickly indicated by a fall in general prices. As already stated in this report, it is estimated that the purchasing power of the precious metals increased between 1809 and 1848 fully one hundred and forty-five per cent, or, in other words, that the general range of prices was sixty per cent lower in 1848 than it was in 1809. During this period there was no general demonetization of either metal and no important fluctuation in the relative value of the metals, and the supply was sufficient to keep their stock good against losses by accident and abrasion, but it was insufficient to keep the stock up to the proper correspondence with the increasing demand of advancing populations.

"The world has rarely passed through a more gloomy period than this one. Again do we find falling prices and misery and destitution inseparable companions. The poverty and distress of the industrial masses were intense and universal, and since the discovery of the mines of America without a parallel. In England the suffering of the people

found expression in demands upon Parliament for relief, in bread riots, and in immense chartist demonstrations. The military arm of the nation had to be strengthened to prevent the all-pervading discontent from ripening into open revolt. On the continent the fires of revolution smoldered everywhere, and blazed out at many points, threatening the overthrow of states and the subversion of social institutions.

"Whenever and wherever the mutterings and discontent were hushed by the fear of increased standing armies, the foundations of society were honey-combed by powerful secret political associations. The cause at work to produce this state of things was so subtle, and its advance so silent, that the masses were entirely ignorant of its nature. They had come to regard money as an institution fixed and immovable in value, and when the price of property and the wages of labor fell, they charged the fault, not to the money, but to the property and the employer. They were taught that the mischief was the result of overproduction. Never having observed that overproduction was complained of only when the money stock was decreasing, their prejudices were aroused against labor-saving machinery. They were angered at capital, because it either declined altogether to embark in industrial enterprises or would only embark in them upon the condition of employing labor at the most scanty remuneration. They forgot that falling prices compelled capital to avoid such enterprises on any other condition, and for the most part to avoid them entirely. They did not comprehend that money in shrinking volume was the prolific parent of enforced idleness and poverty, and that falling prices divorced money capital from labor, but they none the less felt the paralyzing pressure of the shrinking metallic shroud that was closing around industry.

"The increased yield of the Russian gold fields in 1846 gave some relief, and served as a parachute to the fall in prices, which might otherwise have resulted in a great catastrophe. But the enormous metallic supplies of California

and Australia were all needed to give substantial and adequate relief. Great as these supplies were, their influence in raising prices was moderate, and soon entirely arrested by the increasing populations and commerce which followed them. In the twenty-five years between 1850 and 1876 the money stock of the world was more than doubled, and yet at no time during this period was the general level of prices raised more than eighteen per cent above the general level in 1848. A comparison of this effect of an increasing volume of money after 1848 with the effect of a decreasing volume between 1809 and 1848 strikingly illustrates how largely different in degree is the influence upon prices of an increasing or decreasing volume of money. The decrease of the yield of the mines since about 1865, while population and commerce have been advancing, has already produced unmistakable symptoms of the same general distrust, non-employment of labor, and political and social disquiet which have characterized all former periods of shrinking money."

The time that has elapsed since that report was written has but served to verify and emphasize its statements. I might multiply authorities one upon another, but this is upon a question on which there can be no difference of opinion, and that is, that an era of falling prices in any country means there must be hard times; there must be difficulties; there must be constant financial troubles and failure. Why, sir, a business man to-day does not dare to buy anything more than he needs for to-morrow. He curtails his production; he is unwilling and fears to enter into any new enterprise; he feels that if he can put off until next week the purchase of anything he has got to buy that he can buy it cheaper then than he can buy it to-day. We have to be very smart, sir, and very active to buy anything to-day and make anything on it to-morrow or next week. This depresses all industry, it depresses all enterprise, and if continued long enough can only result, and always does result, in almost universal bankruptcy and disaster. There-

fore I am in favor, sir, of doing something to change the existing condition of things. My own examination of this subject has led me to believe that the remedy lies in returning to our former condition, and in remedying the wrong that was committed in 1873, and that the conditions of prosperity and universal happiness can be restored to the people of this country only by restoring to silver the minting privilege which it enjoyed for seventy-six years in this country. [Applause.] And let me tell you, sir, that that sentiment is going around with a rapidity that has never been paralleled, perhaps, in the case of any other great subject that has been before the people. I read with inexpressible pleasure an interview with that grand old man, Senator Edmunds of Vermont, only a few days ago, a man who has been all his life a strong advocate of the single gold standard, a man who before he resigned his position in the Senate of the United States was always found advocating the single gold standard. He says that on reflection and viewing the condition of affairs in the country he has come to the conclusion that the remedy lies in going back to the law of 1873. [Applause.]

Senator Hill of New York has boldly announced himself upon the same side. The people are beginning to examine this subject for themselves; they are beginning to understand it; and by the time Congress meets you will find the demand for this restoration of our old law, that silver shall be restored to its minting privilege, so unanimous and powerful that Congress will not dare to resist that call from the people when they speak in their might, as they will do. [Applause.]

I regret, Mr. Chairman, that some more able and eloquent advocate of silver is not here in my place. There is hardly a mining-camp in Colorado where you will not find men who could present the subject in a very much more happy and attractive form than I am able to do; but as I am here, sir, and as the kindness of the Committee of Arrangements has given me the opportunity, I propose to state as briefly

as I can, sir, the causes which lead me as a manufacturer to believe that the remedy for the evils which now oppress us is in the restoration of silver to the position that it occupied for seventy-six years in this country.

The principal arguments used in favor of a single gold standard and for the demonetization of silver are the following:

1. That gold is the more valuable metal; that it is a universal standard in all great nations; that silver is cumbersome and inconvenient to use as money; that it is not universally recognized as legal money by the other great nations; that the United States must pay its foreign debts in gold, particularly to England, our principal creditor, and that the United States can not alone, among the great nations of the world, maintain the double standard.

2. That the cheaper currency always drives out of a country the dearer and more valuable money, and that if we, as a nation, should remonetize silver it would become our only metallic currency, and that all our gold would leave us.

3. That the silver producers of the so-called silver States are endeavoring to force the rest of the country to buy their silver at a high price, to make the Government pay them a dollar for sixty cents' worth of silver.

4. That the cost of producing silver is not more than thirty cents per ounce; that it is only a commodity, like iron, coal, or wheat, with no more reason why the Government should buy it, or give it a fixed value, than exists in favor of other commodities. The time at my disposal will not permit a fuller statement of the arguments relied upon by the advocates of a single standard for the United States.

The relative value of gold and silver has always been fixed arbitrarily, and neither has ever been exempt from the universal application of the law of supply and demand. That law governs and has always governed gold and silver, both as money and as commodities, and all other kinds of money which have ever been used.

That gold or silver have never in history been stable is universally admitted by the highest authorities. I quote a few only of those given by Senator Jones, in his great speech of May 12 and 13, in the Senate of the United States—in my judgment the grandest argument ever delivered on this subject. It was my good fortune to hear it delivered. It has never been successfully answered or its arguments refuted, and never can be. No one has thoroughly studied this question until he has read it; it is an epitome of the whole subject; and every man, woman, and youth who honestly desires to understand the so-called silver question should read it carefully. It can be obtained from the document-room of the United States Senate, and should be in every household and in every business house of our country.

Senator Jones quotes, among others, the following, in support of his statement that metallic money, whether gold or silver, is not stable. Dr. Adam Smith, in his "Wealth of Nations," Book I, Chapter V, says: "Gold and silver, like every other commodity, vary in their value. The products of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before. This revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account." And again: "Increase the scarcity of gold to a certain degree and the smallest bit of it may become more precious than a diamond."

John Locke, in his considerations in relation to money, published in 1661, says: "The greater scarcity of money enhances its price and increases the scramble; there being nothing that does supply the want of it, the lessening of its quantity, therefore, always increases its price and makes an equal portion of it exchange for a greater of any other thing."

Jevon in his "Money and Exchange," Prof. Francis A. Walker of our own country, McLeod in his "Principles of

Economics," Sir Archibald Alison, Professor Laughlin of Harvard, Ricardo in his "Proposals for an Economical and Secure Currency," and innumerable other authorities of equal standing, assert (and so far as I know are uncontradicted) that metallic money, whether of gold or silver, has never been inherently stable and without fluctuations in its value. In this respect silver has been the more stable of the two. In the fifty years preceding the demonetization of silver by the United States, gold fluctuated in value to a greater extent than silver.

That gold is a more convenient and less cumbersome currency than silver is true to a certain extent, but silver is the only metal in which the average value of a laboring man's work, over the civilized world, can be conveniently expressed. The silver dollar in competition with a gold dollar, were the people obliged to use one or the other, would soon drive the gold dollar out of circulation. The attempt to force the gold dollar into circulation in this country was an absolute failure. We are told that no one wants the silver dollar. How many ever wanted the gold dollar, except to string on a lady's bracelet or hang on a watch-chain. Coins of less value than a dollar can not conveniently be made of any metal except silver. In this country neither gold nor silver enters largely into circulation. We use bills, and prefer them, and so long as these bills are redeemable in gold or silver, neither metal will be used largely as a circulating medium by our people. It is a curious fact that the only portion of the United States in which gold circulates to any extent as money is in the so-called silver States. Excluding the sub-treasury there is more gold coin per capita in Colorado than in New York or Massachusetts. The manufacturing concern of which I have the honor to be president has a pay-roll every two weeks of several thousand dollars. We pay in cash, and not with checks. When our cashier takes our check to the bank of deposit to draw money for his pay-roll he is given gold, unless a special request is made for currency. Our pay-roll

is discharged in gold for all sums of five dollars and over, and in silver for sums less than five dollars, and always has been. Some months ago a statement was published in one of the New York papers, accompanied with what purported to be an interview with one of our best-known capitalists (and which, by the way, was entirely fictitious), that the banks of Denver and the capitalists of Colorado were hoarding gold, expecting to get a premium on it. Denver's answer to this false charge was a telegram from the clearing-house offering the Secretary of the Treasury of the United States a million dollars in gold in exchange for currency or silver dollars. Mr. Foster was then the Secretary, and replied, offering to take it provided the Denver banks would pay the express charges on the gold to New York and on the currency to Denver. This was of course declined, and two weeks later Mr. Carlisle sent the currency and took the gold. That week our bank gave us crisp, clean, new greenbacks with which to pay our labor, but the next week and ever since we have been compelled to take gold. The money of the people in England, France, Germany, and every other country is silver, not gold. Stop a thousand men in the streets of London and empty their pockets, and you will find ten dollars in silver or copper to one in bills. They have no bills under five pounds, or nominally twenty-five dollars in our money. Their gold coins are equal, nominally, to twenty dollars, ten dollars, five dollars, and two dollars and fifty cents of our money; then their silver coins are the five-shilling piece or crown, equal to one dollar and twenty-five cents, the half-crown, equal to sixty-two and one-half cents, the four-shilling piece, equal to one dollar, the two-shilling piece, equal to fifty cents, the shilling, equal to twenty-five cents, the sixpence, equivalent to twelve and one-half cents, the three-penny piece, equal to six and one-fourth cents; then comes the bulky copper coinage, the two-penny piece, like a tea-saucer; then the penny and half-penny. After patronizing the London omnibuses one day it is necessary to

exchange your copper money or hire a dray to take it home. Silver is in England a legal tender for one pound, or about five dollars. Of course all the silver is coined in the Government mint. The Government buys our silver bullion, for it has none of its own, and coins it into the various silver pieces that form its currency. None of them have ever circulated at less than par. The English mint gets just as much for them now, when it is buying our silver at eighty-three cents per ounce, as it did when it paid one dollar and thirty-two cents per ounce. Their ratio being fifteen and one-half ounces of silver to one of gold, while ours is sixteen to one, there is relatively less silver in their coin than in ours. Their crown is a larger and heavier piece than our dollar, but contains relatively less silver. The bullion in an English crown costs the Government about seventy cents, but the Government gets just as much for it from the people of England as it did when it paid one dollar and thirty-two cents for the bullion its crown contains. It is making fifty-five cents clear profit on every pound it coins, a proportionate profit on every other silver coin, including the great quantity of rupees it coins for India in its colonial mints; and it is making this enormous profit out of us, and our so-called financiers are using every effort to enable them to continue this profitable occupation at the expense of the silver-producing countries, and to make it still larger by further discrediting silver. While, as stated, the bullion in an English crown only costs the Government seventy cents, and without the Government stamp it would only sell for seventy cents, yet no one ever saw an Englishman take one of these coins out of his pocket and heard him assert that it is worth only seventy cents to-day, or ever saw at the head of the financial columns of an English newspaper the announcement, "The value of four shillings to-day, sixty cents."

I heard yesterday an interesting paper read by a gentleman from Rhode Island. He told us in that paper of the terrible evils that had befallen Rhode Island in its earlier history by an attempt made to force irredeemable currency,

fiat money, upon the people. He enforced his argument by telling us the result upon procuring of wolf-pelts. He said that the hunters who for the bounty offered by Rhode Island had been killing wolves and carrying in the pelts refused to kill them any longer and take their pay in these irredeemable bills; that in order to induce them to continue to get these pelts Rhode Island even offered to give them more in currency, this irredeemable currency. Still they did not bring them; no matter what offer they made to them of this paper money, they still refused to bring in the pelts. Now I want to ask that gentleman, if he is here, and if I ever meet him I want to ask him, if he does not know that if the Rhode Island Legislature had said to the hunters of Rhode Island, "Bring in your pelts, and we will give you that bounty in silver," it would have been a very cold day for wolves in Rhode Island? They would not take irredeemable currency bills, but they would have taken silver; and silver in Rhode Island at that time was just as good as gold in the proportionate ratio that existed at that time. So we see in our magazines — we read the magazines out in Colorado, and in every mining-camp you will find the *Century* and other magazines of that kind — and we have read with wonder and astonishment some of the articles that have appeared in the editorial columns of that magazine in favor of the single standard, those arguments enforced by lessons drawn from the history of the world. They have gone back to the first known instance of disaster which has followed the issue of irredeemable paper currency. They have come up and jogged along, and the Rhode Island experiment has been detailed in full. They have come up to the last great experiment of that kind which has been tried in this country, when the Southern Confederacy issued their currency, and they have told us of the evils and the bankruptcy which has always followed an attempt to force that kind of money on an unwilling people. I challenge any gentleman in this hall or out of it to give one instance in the history of the world,

going back seventeen hundred years before Christ, which is, I believe, our first record of silver as money, in Palestine, going back seventeen hundred years before Christ, and come up to the present time, and tell me, if you can, one instance in the world's history where any nation, any people, any State, any business concern, any bank, any individual ever suffered financial disaster, loss, or bankruptcy because he had too many silver dollars, or too much silver money. [Applause.] There is no such instance in the history of this world.

The gentleman from Rhode Island also stated that it was impossible to legislate value into anything. I am afraid I haven't got a bill about me – I came from Colorado and I have nothing but gold and silver— but if some gentleman will lend me a bill for a moment [laughter] I will give it back to him. I would like to ask the gentleman what gives that bill its value? He will say because there is something behind it. But I submit to the intelligence of every person in this audience that without the law that makes that bill money it would not be worth the paper it is printed on. What is it worth? You show me a silver dollar and say that it is worth seventy cents to-day, but I tell you it is worth a dollar because you can get a dollar for it. I show you that bill. What is that worth? Why, it is worth ten dollars. Why? Because the Government of the United States through its Congress made a law that makes that money good for ten dollars, and it is that law and the confidence of the people that makes it certain without question, and makes us all anxious to get just as many of them as we possibly can.

Now, I grant you, without confidence law alone would be insufficient to give paper money its value, but that bill is incontestibly worth ten dollars, because you can take it to the Treasury of the United States and get ten dollars in either gold or silver, and the Treasury can give you whichever it pleases; for, Mr. Chairman, there is not one of our securities, the Government of the United States has never

issued a bond, there is not an interest-bearing obligation, nor any other obligation of the United States, that by its terms is not payable at the Treasury in either gold or silver.

We look to France. We consider that a very solid financial country. What does the Bank of France do? Whenever any considerable amount of money is demanded from the Bank of France, for the redemption of any considerable amount, it has always, it does to-day, pay half gold and half silver, and the Government of the United States to-day has a perfect right to pay every demand made upon it for every one of its obligations in either gold or silver, and some of us would like to see it exercise that right.

MR. LOGAN C. MURRAY: I would like to ask you what that bill is payable in at the Treasury of the United States?

MR. PLATT: Either gold or silver.

MR. MURRAY: Suppose it were payable only in silver, what would it be worth?

MR. PLATT: Well, put silver back where it was twenty years ago and give it its native value, and it would be worth just as much in silver as it was in gold; but, my dear sir, don't shoot a robin in the wing and then damn him because he can not fly. That is not right.

Now, leading to the subject that I was bringing before the manufacturers of this country, the manufacturers of Colorado, of which body I have the honor to be the president, recently passed the following resolutions. They are very short, and I shall ask the privilege of reading them:

WHEREAS, There has been and is a tendency in communities and on the part of manufacturers in the Eastern States to ascribe the public sentiment in the Rocky Mountain States in favor of the remonetization of silver solely to the fact that such States are silver producers; and

WHEREAS, Such Western sentiment in favor of the remonetization of silver arises not alone in the interests of a local industry, but is based on the broad grounds of public policy and in the belief that such remonetization will bring about the revival of agriculture, manufacturing, trade, and commerce generally; and

WHEREAS, The evil effects of the undue and artificial appreciation in the value of gold resulting from the unjust remonetization of silver are being

increasingly recognized by the manufacturing and trading classes of Great Britain, particularly in Lancashire, as the chief cause of trade depression and the continuous fall of prices, as evidenced by the action of the Manchester Chamber of Commerce and other commercial organizations, and the writings or public utterances of prominent members of Parliament, the representatives of manufacturing and commercial communities; and

WHEREAS, Such manufacturing and trading classes of Great Britain are certainly not open to the insinuation that their sentiment in favor of the increased use of silver as money metal is to be accounted for either from their direct or indirect interest in silver mines;

Resolved, That the Manufacturers' Exchange of Denver, comprising two hundred manufacturers throughout Colorado, respectfully urges upon the manufacturers of Eastern and other American States that they investigate the so-called silver question from the business standpoint of its effects on trade and prices, believing that such investigation will result in American manufacturers indorsing the action of the British manufacturers, and using their great influence toward bringing about the early remonetization of silver.

I want to come now to the statements in regard to the cost of the production of silver. I hold in my hand a pamphlet published by the Chicago *Economist* containing papers written by Mr. Scudder, in which he undertakes to prove that it only costs thirty cents an ounce to produce silver. Now I want to say to you bankers and financiers, that while you may encourage people in creating that impression at large, there is not one of you believes it. You know better. If you did every one of you would be out in Colorado looking for silver mines and wanting us to sell you our mining stocks. You would want to get into a business that paid such enormous profits. But if a man from Colorado comes into your office and begins to talk mines to you, you button up your pockets and send for a policeman. You don't want anything to do with him. You won't put a dollar of your money into this immensely profitable industry that is producing eighty cents for thirty; therefore you don't believe a word of it yourselves. Mr. Sneed picks out three mines in Colorado, the Amethyst, the Last Change, and the Smuggler, mines that are producing silver to-day at a cost of thirty cents an ounce. He says himself they are exceptional cases; but we have, fortunately, exact statis-

tics in regard to the cost of silver production in Colorado, obtained with great care and absolutely accurate, and they show that in 1892, at the present price of silver, the production of silver in Colorado was unprofitable. It has resulted in shutting down a vast number of our great mines.

I want to ask you, sir, I want to ask this audience, whether the stopping of the labor of twenty-five thousand men who are not producers, who are working and earning three dollars a day and spending every dollar of it to buy something that is produced or manufactured by somebody else, whether stopping their labor and shutting them off as consumers of those products, and sending them out to get a living as best they may in the overcrowded ranks of other vocations, is not a damage, not only to Colorado, but a damage to the people of this entire country? Let me say another thing, sir. While silver-mining is important to Colorado, I will make some statements here which you, who have not kept track of our great State, may be surprised at. The manufactured articles of Arapahoe County, in which the city of Denver is situated, in 1892 amounted in value to more than the entire mineral product of the State; more than its entire product of gold, silver, lead, and copper. The agricultural products of the State amounted to more in value than its entire mineral products. The wholesale trade of Denver amounted to more than the entire mineral products of the State. So, while it is an important part of our industry and of our resources, it is not, as it was twenty years ago, or ten or fifteen years ago, the overshadowing important thing. We who are advocating the remonetization of silver are not doing it because of our interest in silver mines; but I propose to tell you briefly what it has cost to produce silver last year in Colorado. The State produced $33,548,934 worth of mineral from her metalliferous mines, included in which was 23,102,055 ounces of silver; the balance was copper and lead. Hardly any of these metals were mined alone, hardly any of them are ever mined alone; they are

almost always found in conjunction. In 1891 there were 15,071 men engaged in silver-mining in Colorado in mines that shipped about $14,503,645 off their labor. The smelters employed 3,405 men, who were paid $3,228,475 for their labor. Over a thousand teamsters and haulers were engaged in hauling ore and supplies, and paid $720,625 for their labor. There are three railroads. I won't trouble you, sir, with all these facts, but I will give the summing up. Added together it shows that it cost $32,227,355 to produce the $33,548,034 worth of gold, silver, lead, and copper in the State of Colorado, and with silver figured at ninety-nine cents. With silver figured at eighty-seven cents the value of Colorado's production would have been $30,777,652, and the whole product of our metalliferous mines would have been obtained at an absolute loss of $1,440,903. [Applause.]

God's immutable law, put in force before man was created, has decreed that there shall be two precious metals, gold and silver. Silver was used as money by man before gold was, up through the ages. Until demonetized by England in 1816 they moved side by side and performed together harmoniously and well the many functions of metal money. There is not to-day one dollar of gold or silver coined in existence in this world that did not cost somebody at some time or other a dollar and a half. You point to these bonanza mines in Colorado and say that we are going to overwhelm you with silver; that we are getting it out for thirty cents an ounce. You don't take into consideration the years of labor in prospecting, of digging drifts, running tunnels, and the countless hardships and the loss of life and money that was expended before they found them. Mr. Sneed says that they will find more. I hope they will. It is the hope that they may find more that is keeping these men engaged in this search, but it is not for any one to say that because one mine is now in a condition where the silver being taken out does not cost but thirty cents an ounce that therefore the cost of producing silver is only thirty cents an ounce. I once knew a man who drew twenty-

five thousand dollars on a ticket in a lottery that cost him a dollar. You might as well say, sir, that the average cost of getting twenty-five thousand dollars in a lottery is one dollar. [Applause.]

That the cheaper currency always drives out the dearer is a theory first advanced in England over three hundred years ago by Sir Thomas Gresham. Mr. Jevons, in "Money and Mechanism of Exchange," American edition, page 4, says: "Gresham's remarks concerning the inability of good money to drive out bad only referred to amounts of one kind of metal. The people as a general rule do not reject the better, but pass from hand to hand indifferently the heavy and light coins, because their only use for the coin is as a medium of exchange. It is those who are going to hoard, melt, export or dissolve the coins of the realm, or convert them into jewelry and gold-leaf, who carefully select for their purpose the new heavy coins."

Senator Jones says, page 69, "But it does not follow that the cheaper money is bad money, nor the dearer money good money. The best money is always the money of the contract; that is to say, a money whose dollar, whatever it may be made of, is equal in value to the dollar of the contract. If the money of the contract is the cheapest money, then that is the best money; that is the honest money, and that is the only tolerable money. If that be the cheap sort of money that drives out the dear money, then, manifestly, the dear money is bad money. A distinguished official of the Government who was before a committee of this body the other day insisted that the proposed Treasury notes should be redeemed in the best money. I asked him what was the best money. Why, he said, money that is worth the most. Now, it strikes me, Mr. President, that if you have borrowed a dollar, and through a badly regulated money system are made to pay a dollar worth twenty-five per cent more than the dollar you borrowed, you are not paying the best money, but the worst money; not an honest dollar, but a swindling, dishonest dollar."

In the unfair arguments urged against the remonetization of silver it is persistently and untruthfully charged that the silver producers of the silver-producing States—the silver barons, as they are called—are selfishly seeking to force the Government to buy their silver at an exorbitant price, and that they have no more right to demand this than has the producer of iron, lead, wheat, corn, or any other commodity to demand that the Government shall purchase any of the articles they produce, and make them standards of value. The strongest prejudices against silver in the minds of the plain people of the Eastern and Middle States have been caused by this constantly reiterated and utterly false statement that the silver producers are trying to force the Government to pay a dollar in gold for sixty cents' worth of silver. No charge could be more cruel, unjust, and misleading. The silver producers do not and never have asked the Government to purchase one ounce of their silver, except such amount as the Government needs for coinage purposes, and for this they are and always have been ready to receive silver money in payment. The Constitution of the United States says that the money of the United States shall be gold and silver. Until 1873 the owner of silver bullion could, at his pleasure, take his bullion to a United States mint and have it coined into money of the size and value fixed by Congress.

Secretary Carlisle has recently stated, and his statement was published generally in the press of the country, that from 1792 to 1873, eighty-one years, only 8,045,838 silver dollars were coined by the United States mint; but that since 1873, when free coinage was suspended, nearly 400,000,000 full legal-tender silver money had been coined by the Government. Let me call your attention to the great importance of this statement in connection with the subject we are now discussing. It shows that, while under free coinage only a little over eight million of silver dollars were coined by the United States mints, under these miserable makeshifts and compromises, the Bland law and the Sher-

man law, nearly four hundred million of legal-tender silver dollars have been coined. If too much silver money is an evil, is not this statement by the Secretary of the Treasury an unanswerable argument in favor of a return to free coinage, which is all the silver producers ask or ever have asked? They did not ask for and did not want either the Bland bill or the Sherman law. They have only asked that the great wrong of 1873 be undone, and the law restored precisely as it had existed for seventy-six years.

The demonetization of silver by Congress as it was effected in 1873 is the monumental crime of this century. It was done secretly, feloniously and without the knowledge of a dozen members of the United States Senate or House of Representatives. There had been no demand for it from the people or the press; it was not discussed in or out of Congress. President Grant signed the apparently innocent bill, in which the omission of one word performed the fatal act, without the remotest conception that it would demonetize silver. It was six months after its passage before the country discovered that silver was demonetized and that the United States had adopted the single gold standard. I know the absolute truth of these statements. Myself a member of the Forty-third Congress, I stood nearer to Mr. Hooper of Massachusetts than I am to you, Mr. Chairman, when, amid the confusion of a night session, he obtained the floor and called up for passage the bill which was to prove of such momentous importance to the United States. I never dreamed that it was anything more than a bill containing some unimportant amendments to the existing mint laws of coinage weights and measures, as its title implied. I assert upon my positive personal knowledge that when the question of passage was put by the Speaker not more than six members responded aye; none responded no when the negative was called, and the bill was declared passed. I also assert, and the statement is absolutely true, that had the question of the demonetization of silver been brought before that House as a question for dis-

cussion and action, it would have been defeated by more than a two-thirds vote. How was this iniquitous result obtained? By what means was the American Congress forced, unknown to its members, to pass a measure of such transcendent importance, and one to which an overwhelming majority was opposed? There is unfortunately no doubt whatever about the means employed or the agencies through which the end was attained. For years England had been using every possible means to induce other nations to demonetize silver. The nations composing the Latin Union had been induced to adopt the single standard. The United States had for eleven years afterward maintained the double standard, and there was no sentiment among our people demanding a change. We were prosperous and fast forcing our way to commercial supremacy. We were constantly drawing gold from England. It was vitally important that our financial system should be revolutionized and made to conform to the interest of England.

The *Bankers' Magazine* of August, 1878, contained the following, which has never been refuted: "In 1873, silver being demonetized in Germany, England, and Holland, a capital of £100,000 ($500,000) was raised, and Ernest Seyd of London was sent to this country with this fund, as the agent of the foreign bondholders and capitalists, to effect the same object." After his return to England Mr. Seyd himself admitted the truth of this statement. He was in this country for several months, in close and constant consultation with parties in New York and Washington. He claimed to have expended the whole fund in this country to secure the demonetization of silver, but refused to disclose, even to his principals, the names of the parties who received the money. I do not believe that he used a dollar of it to corrupt members of either house of Congress, or Government officials, but that he kept as much as he could himself, using other means to accomplish his purpose. But as regards the result, it is immaterial whether

he did or did not. The object was accomplished and silver was demonetized. As soon as the fact became known, the so-called silver men attempted to have the old law restored. They were resisted by the same powerful interest which to-day demands the further degradation of silver. After a struggle of four years, despairing of anything better, they accepted the Bland bill as a compromise. Even this was fought by the opponents of silver as bitterly as free coinage. During the pendency of the Bland bill in Congress the financial columns of nearly every newspaper published in the Eastern and Middle States teemed with bitter denunciations of the bill, and the most direful and terrible prophecies of bankruptcy and financial ruin which would surely follow its passage. Is there a person within the sound of my voice who does not remember the frenzied appeals and horrible predictions reiterated from day to day during this period? If the Bland bill passed, these authorities assured us, our industries would be ruined, universal bankruptcy would ensue, our labor would be thrown out of employment, and it was specially and emphatically stated and restated by these wise financiers that all the gold in this country would be driven out — the dearer money would utterly disappear. We would only have a debased silver currency, and be reduced to the level of other countries having only a silver currency. The Bland bill passed in spite of these frantic appeals. While, as I have stated, it was not what the silver men wanted, let us all thank a merciful Providence that it passed when it did. No student of the history of the country can fail to see that it averted and prevented the very evils we were so confidently assured would follow its passage.

In 1878 our bonds had become so valuable that the circulation of national banks, based on a deposit of these bonds, ceased to be profitable to the banks. They began to withdraw their bonds and retire their circulation, and the amount so withdrawn from circulation was, of course, a contraction, lessening the amount of money per capita and destroying its further use as money. This contraction con-

tinued at the rate of many millions per year during the entire life of the Bland bill, and occurred at a time when our country was growing rapidly in population, new business enterprises requiring capital for their development being projected daily; and had there been no money to take the place of the national bank notes being withdrawn, the resulting contraction would have caused all the evils prophesied by the opponents of the Bland bill. But the silver certificates, issued on the silver dollars coined under that bill, came in to fill the void and prevent the evils we should have suffered without them. None of us ever had too many of these silver certificates. We never asked whether the certificates we received were gold or silver; we never saw the time when one was not just as good as the other, or when we could not get gold for either, or for our silver dollars, if we wanted it. And mark this: When the Bland bill passed, in 1878, we had in the United States but $150,000,000 of gold —some authorities say but $100,000,000. After the Bland bill had been in operation thirteen years we had over $600,000,000. The Gresham law, as interpreted by our friends who are clamoring for a single standard, did not seem to work this time, or if it did, then silver must be the dearer and best money. Would it not be well for the people who honestly desire to be right on this question, but who have not examined it for themselves except as they read the financial columns of their daily paper, to ask themselves whether it is not possible that these gentlemen who predicted such terrible results from the Bland bill, and who are making similar predictions as to the effect of restoring the minting privilege to silver; is it not just possible, I ask in all seriousness, they may be badly mistaken in the one case as in the other?

What then do the silver men want? They want the Sherman bill repealed and all similar legislation avoided forever. The silver men do not want the Government to take one ounce of their silver and pay for it in gold. They want the old law of our fathers, true and simple. The term

free coinage is misunderstood, and has been so misrepresented that the people think of it as some horrible device by which silver dollars are to be coined in unlimited quantities and made the currency of the country. Any one having silver bullion can take it to a United States mint and receive for it silver coins of legal weight and measure, and one having gold bullion can do the same, receiving from the mint gold coin of legal weight and measure. Thus the Government will only pay silver for silver and gold coin for gold bullion. The reason why, with free coinage for eighty-one years, so little silver bullion was coined was that silver had a fixed value at the mint, and it had almost a higher value in bullion. It was therefore sold as bullion, more in that form than any other, because in bars it could be used in the arts and for manufacturing purposes. With free coinage the law of supply and demand has full force. The great objection to the Sherman law is that the Government purchases silver bullion for which it gives certificates, and these are presented and redeemed in gold; therefore they say we are compelling, under the Sherman law, the Government to buy our silver and pay out our gold for it. That would not be of so much consequence if the gold thus paid out remained in the country; but when it is taken charge of by people who desire it for export, it becomes a great evil and takes our gold out of the country. With free coinage this could not be done. Our Government would, as stated, give gold for gold and silver for silver. Mr. Carlisle explains that our Government lost a large sum by the purchase of silver bullion. Is it not a fact that the Government has made a very large sum out of the silver producers by purchasing silver at a market price and coining dollars out of it worth par? It is true that to restore it to the minting privilege would largely increase the value of silver now in the country, but is the advantage confined to silver producers alone? Would it not be to the advantage of the people of the United States to have the value of the silver owned by the Government, and now in its Treasury,

increased as largely in value as the restoration of the minting privilege would do?

But we are told that if we do that the silver of the whole world will come in upon us; that all the rest of the world having silver worth only sixty cents an ounce and eighty cents an ounce would send it over to this country and demand a dollar and twenty-nine cents and take away our gold. Where is it coming from? What nation on earth to-day has got any silver to spare? Not one. We are told about the vast amount of bullion in the Bank of France. France has got several hundred pounds of bullion, but that is not much bullion; nearly all her silver is in coins. She can't spare a dollar of it; she needs it. She is buying it every year, and she has to have it to coin with. She has a bill out among the people of France redeemable in either gold or silver, at her pleasure, when presented for redemption. That is what gives France prosperity. What do the French peasants put down in their stockings? They hoard silver five-franc pieces and smaller denominations, but bills of the Bank of France, that are payable and redeemable in silver, are presented at bank. France has no silver to spare. England is buying it all the time. Of course she would like to keep on buying our silver for eighty cents and sell it to her people for one dollar and twenty-nine cents. It is a good thing for her, but she has to take it out of her expenses; and I want to ask you, sir, if you do not believe it to be true, that had the minting privilege been retained in this country, and the silver that we have produced since 1873 been sold among our own people, and the nations buy it, those that must buy it, at the value of one dollar and twenty-nine cents, and we had made that forty-five or fifty-five cents instead of letting some foreign country make it, and with the resulting increased amount of money in this country, would it not have helped us at this crisis, and would it not have been a strong factor in keeping the balance of trade in our favor with other nations? Then what did the Bank of France have to do? Their silver is

coined on a ratio of fifteen and one-half to one and ours sixteen to one. She has fifteen and one-half to one with its alloy. She can not send a dollar of her coin back here to be redeemed as coin. You will admit that, sir. Before she sends it over to us she has got to remelt it and lose the difference between fifteen and one-half and sixteen and her alloy. She has got to go to a large expense of melting it and pay the freight over to the United States and back again, and in the meantime deprive her citizens of that amount of currency while it is in transit both ways. She never will send us a dollar, sir [applause], nor any other nation.

India is the only nation on earth to-day that has any amount of silver bullion, and from time immemorial, from the earliest ages, India has been the nation's sink of both metals, and no gold or silver that ever got to India ever came back. It is "that bourne from whence no traveler returns"—no metallic traveler. Three times in history England has attempted to deprive India of the minting privilege. The powerful opposition engendered in India in consequence was so great that England has been compelled to abandon the effort, as she will be this time when she tries it.

Now, Mr. Chairman, I owe my audience an apology. I trust they will pardon me. I don't get a chance to make a speech very often, and perhaps when I do I am inclined to abuse the privilege. Before leaving I want to say in behalf of the citizens of Denver and Colorado that we wish every one of you would come out there and see for yourselves what we are doing. Come out and see the great empire we are building up west of the Missouri River. Come to Denver, the geographical and railroad center of that great section; bounded on the east by the Missouri, on the west by the Columbia, north by Canada, and south by Mexico, Denver being the exact geographical and railroad center of that territory, growing more rapidly in wealth and population than any other equal section of country on this earth. We

shall be glad to show you our silver mines, take you up to our mountains and show you our prospectors, and give you some practical idea of what it costs to get gold and silver out of the recesses of the rocks of the mountains. We shall be glad to show you our other resources, and we will welcome you warmly.

And now, sir, one thing more to you, and to the bankers of this country. We wish to say to them, don't put the screws on us any tighter. Let up. Let us have your money; we will give you good security. We will earn an income for you; your interests lie not in putting us down to the lowest extremity, not in wringing the last dollar out of the industry and business of this country that you possibly can. It lies in encouraging and stimulating it, and assisting the men willing to take chances and go out and open up and develop the great resources of this country. We will work for you honestly, sir; and let me say here that the most profitable investments that the East has ever made in this country from the time the settlement of the West began have been your Western investments. And there has been no dollar lost on a mortgage in the West, not one dollar, where the same care and scrutiny has been exercised in placing it that you exercise in your own home. There has been no money taken away and you have been cheated out of nothing by the people of the West. We are bound to you by ties of association. Most of us came from the East and all parts of the country, and have gone out into that new country to wake it up and develop it. Your interests are with us. Give us back the privilege that we had for seventy-six years. Let us have the same privilege to take our silver to the mints of the United States and have them give us silver dollars. All we ask is that when we carry our bullion there they give us silver dollars with the stamp of the United States on them that represents their value, and we will make our country great and prosperous.

And now, sir, wake up in New York. Make New York the financial center of the world, as it ought to be. You

have the power in your own hands. What can London, with its insignificant little $125,000,000 in gold, do against you if you wake up in your might, and assert yourselves and the power and influence of your country as you should? Make your own system of finance, and we shall all go on together. Let us feel that we can make something, whether it be paper, or cloth, or anything else, and make a reasonable profit out of it. Let us have that feeling once more, and we will go on together to a prosperity and happiness among our people which has never been exceeded in any portion of our history. [Applause.]

In France, the money of the people, the money in circulation, is the silver five-franc piece and its smaller denominations. In Germany, the silver marc—and so all over the world; the currency of the people, the most cherished and valued for daily use, is silver.

That gold is a more valuable metal is only true in connection with the relative bulk and weight of the two metals. Chemically considered, the specific gravity and malleability would be about eight to one. The weight of all the silver produced in the world since its first use as money, of which we have record in Palestine nineteen hundred years before Christ, has been almost exactly fourteen times the weight of all the gold produced. This ratio has varied at different times in different countries. Therefore, every country has a fixed ratio of value between the two. This ratio has never been higher than ten and one-half of silver to one of gold, as it was in Italy in 1260, or lower than sixteen to one, which is always the ratio that has been maintained by the United States. In England, France, and most of the nations composing the Latin Union it is fifteen and one-half to one. Thus the law of every nation has defined how many ounces of silver shall be equal in value to one of gold. On the basis thus established the product of the two metals has in value been almost equal on the whole, though varying at different periods.

The gentleman from Rhode Island also stated that no

law could legislate value into anything. Neither gold nor silver has any intrinsic value. They are in their native state as valueless as the solid rocks which hold them in captivity. They have no value until man has expended enormous labor and valuable lives in freeing them, and would have none then, as money, except for the law which defines their value.

In this connection I quote the following historical view from the book of Col. Ed. F. Browne of Colorado, "The Silver Dollar": "Until the demonetization of silver, in 1873, neither of the precious metals had an 'intrinsic value,' and to-day gold has no such value. Chemically considered, the intrinsic value of gold over silver would be about eight to one, principally on account of its specific gravity and malleability, but it has never been thus considered since the time of the Greeks. There has been no time since five hundred years before Christ but what the value of gold has been determined by law, and law alone. The rulers of Greece, about five hundred years before Christ, by decree declared that gold was worth thirteen times as much as silver. The Roman emperors changed that ratio to from nine to one to fourteen to one. As late as the fifteenth century, at one time in France they were made of equal value by law. Until the present century the ratio of the values between the two metals was regulated in exact opposition to the supply and demand theory. The Greeks had established the ratio of thirteen to one, but when the gold mines of Spain, Gaul, and Pannonia gave out, the Romans changed the ratio to eleven to one, and even nine to one—thus on to 1497, when we find the ratio was ten and three-fourths to one. In 1546 Spain declared the ratio of thirteen and one-half to one, because up to that time she, in her conquests, had obtained more gold than silver. Portugal, upon taking possession of Brazil, and despoiling the East Indians of their gold, advanced the ratio to sixteen to one. This was done in 1688, and at that time Portugal had much more gold than silver, and she, having supremacy in

trade, changed the ratio so as to injure Spain, who at that time was accumulating silver. Spain again got control of finances, and changed the ratio to fifteen and one-half to one in 1775, which was adopted by France in 1785, and maintained ever since. Spain in this change failed to include the colonies, and there is where our ratio of sixteen to one originates. It was the little insignificant nation Portugal that established the ratio that rules this country to-day. Thus for two thousand years before the present century you will notice that each nation, as it got control of the precious metals, by law declared their value and maintained it until some more powerful nation took the financial precedence; and in each instance it will be noted that the advance of the relative value of either metal was in direct opposition to the law of supply and demand. When gold was plenty it was marked up, and when it was scarce it was marked down. The theory was to keep enough value in the precious metals to supply the wants of currency, and each nation, as soon as it secured control of the balance of trade, took upon itself to establish the value of the metals. In other words, the relative value of gold and silver for two thousand years before the present century was in exact reverse from what would be occasioned by supply and demand."

The argument which is perhaps most relied upon by the advocates of a single standard in this country is "that it would be impossible for the United States to maintain successfully a double standard of value alone among the great nations of the world." Is this statement true and founded on correct premises? The best teacher is experience. The safest criterion by which to judge the future is the experience of the past. Let us try this statement by that standard. England adopted the single standard in 1816; the nations composing the Latin Union, in 1862 to 1865; the United States, in 1863. For eleven years the United States carried the double standard alone among the great nations of the world. They were years of great prosperity. Our manu-

facturers and producers, our bankers and brokers, were all prosperous and made money. Our labor was profitably employed. We paid off an enormous amount of foreign indebtedness. Our national debt was greatly reduced. Our country increased immensely in population and wealth. The whole world was buying our products, including our silver, and our stock of gold was rapidly increasing. Prices of all commodities were stationary or advancing from day to day. Both silver and gold enjoyed equal minting privileges, as they had for seventy-six years, and the very night when in the confusion of the night session, without discussion, without the knowledge of six members of the House, the insidious amendment was adopted by Congress by which the minting privilege was taken from silver. At that very time silver was at a premium of three per cent above gold. The market price of silver bullion was $1.322 per ounce, and all Europe was paying us $1.322 in gold for every dollar of our silver which they bought of us. We "went it alone" these eleven years; we held the winning hand all this time. Had we been wise enough to keep it, why should we not have continued to maintain ourselves in this position and to enjoy the same prosperity we then enjoyed. Notwithstanding the enormous losses of the past twenty years, the United States is to-day the strongest and most powerful nation of the world—stronger by far relatively than was Greece in 1497, Spain in 1546, Portugal in 1688, or England in 1816, when these nations in turn dictated to all the rest of the world the system of finance they deemed wisest for themselves, and fixed, as they pleased, the ratio between gold and silver. Let the United States be equally brave and self-asserting. This subserviency to the foreign influence and interests is unworthy the American people. The more we bow to English finance, the more contempt they have for us, and rightfully so. England saw fit to adopt the gold standard in 1816. She did not ask the opinion of other countries or consult their wishes. She had just won the victory at Trafalgar which

made her the mistress of the seas; she believed herself the mistress of the world; and she regulated her financial matters for herself, as we ought to do.

But should we restore the mintage privilege to silver, we should not be alone among the nations of the world in the legal-tender use of that metal. Every nation with which we have to deal, and with which the balance of trade is always against us, uses silver as money on a ratio established by law, and will receive it from us in payment of our indebtedness. Silver is a full legal tender for all amounts in France, Germany, Italy, Belgium, Spain, Holland, Switzerland, and Greece, just as it is in the United States, as well as in all countries of North and South America, except Canada.

UNIVERSAL BIMETALLISM AND AN INTERNATIONAL MONETARY CLEARING HOUSE.

By Richard P. Rothwell of New York.

IN the growing intercourse between members of the human race various substances have been used, more or less extensively, as money or measures of value for the things exchanged; the tendency being always toward the general adoption of a single standard of value for the whole world.

As the wealth of men increased it became more and more convenient to use standards composed of rarer, and therefore more valuable, substances. Among the materials thus selected as standards of value on account of their desirable physical properties, as well as of their comparative scarcity, were gold, silver, copper, and some other metals which at various times have had different relative values in money. While it is true that the actual amount of money or of the standard of value in existence does not limit the total value of the substances measured, still it is certain that the rarer and harder to get is the standard the more of everything else will be given for it; for the actual purchasing power of the standard is, like that of everything else, governed by the universal law of supply and demand.

While nations had little intercourse with each other, the maintenance of different standards of value in different countries was possible and created small inconvenience, but as intercourse increases and each country has growing commercial transactions with the others, the need, not only of a common measure of value, but of an international supervision and control over the money of the world, has become very evident. So closely are the rights and duties of

nations now bound together by the needs and interests of men that no one country can act for itself alone or be guided solely by what it may deem its individual benefit without regard to the effect of its action on others. Each must have a regard for the rights and even for the interests of its neighbors, just as civilization has circumscribed the liberty of the individual by the rights of others. The world is so narrow and knowledge now so wide that no nation can permanently prosper by a policy that injures its neighbors. The real welfare of each is promoted by the prosperity of all, and civilization itself is but the outcome of this enlightened selfishness.

THE MONEY OF THE WORLD.

The business of the civilized world is carried on with about $10,264,968,000 of money, of which, according to the Director of the United States Mint, $3,632,605,000 is of gold; about $4,000,000,000 is of silver, counted at its coining ratio of from fifteen and one-half to sixteen to one with gold; and $2,626,663,000 is of uncovered paper money, that is of paper money which represents neither gold nor silver held in reserve for its redemption. The distribution of this money is given in the accompanying table.

It seems from this that of the world's money the United States holds about 15.93 per cent; France, 15.40 per cent; Germany, 8.95 per cent; Great Britain, 6.82 per cent; China, 6.82 per cent; India, 9.03 per cent; Russia, 7.89 per cent. It appears also that of an estimated population of the countries mentioned aggregating 1,218,000,000 souls, no less than 817,000,000, or sixty-seven per cent of the whole, carry on business on the silver standard alone, while all the rest of the world use both gold and silver, though in some cases the silver is of only limited legal tender, or is used simply in subsidiary coinage. Every decline in the value, that is in the purchasing power, of silver therefore affects injuriously every nation, while an appreciation in the value of

MONETARY SYSTEMS AND APPROXIMATE STOCKS OF MONEY IN THE PRINCIPAL COUNTRIES OF THE WORLD, 1891.

Countries, and Money Systems.	Ratio of Silver to 1 of Gold.		Population in Millions.	Stock of Gold.	Stock of Silver. 1 = $1,000,000.			Uncovered Paper.	Gross Total.	Percentages.				Per capita.			
	Full tender.	Limited tender.			Full tender.	Limited tender.	Total.			Gold.	Silver.	Uncov'd Paper.	Total.	Gold.	Silver.	Paper.	Total.
United States, gold & silver	15.98	14.95	65	$ 654,000,000	498	77	575	$ 405,790,000	$ 1,634,790,000	40.00	35.18	24.82	15.93	$ 10.06	$ 8.85	$ 6.24	$ 25.15
United Kingdom, gold	.....	14.28	38	550,000,000	.....	100	100	50,000,000	700,000,000	78.57	14.28	7.15	6.82	14.47	2.63	1.32	18.42
France, gold and silver	15½	14.38	39	800,000,000	650	50	700	81,400,000	1,581,400,000	50.58	44.27	5.15	15.40	20.52	17.95	2.09	40.56
Germany, gold	15½	13.95	49.5	600,000,000	103	108	211	107,000,000	918,000,000	65.36	22.99	11.65	8.95	12.12	4.26	2.16	18.54
Belgium, gold and silver	15½	14.38	6.1	65,000,000	48.4	6.6	55	54,000,000	174,000,000	37.35	31.60	31.05	1.70	10.66	9.02	8.85	28.53
Italy, gold and silver	15½	14.38	31	93,600,000	16	34.2	50.2	163,470,000	307,270,000	30.46	16.33	53.21	2.99	3.02	1.62	5.27	9.91
Switzerland, gold and silver	15½	14.38	3	15,000,000	11.4	3.6	15	14,000,000	44,000,000	34.09	34.09	31.82	.43	5.00	5.00	4.67	14.67
Greece, gold and silver	15½	14.38	2.2	2,000,000	1.8	2.2	4	14,000,000	20,000,000	10.00	20.00	70.00	.19	.91	1.82	6.36	9.09
Spain, gold and silver	15½	14.38	18	40,000,000	120	38.6	158	100,000,000	298,000,000	13.42	53.02	33.56	2.89	2.22	8.78	5.56	16.56
Portugal, gold	15½	14.08	5	40,000,000	.....	10	10	45,000,000	95,000,000	42.10	10.50	47.40	.93	8.00	2.00	9.00	19.00
Austria-Hungary, gold	15½	13.69	40	40,000,000	90	.....	90	260,000,000	390,000,000	10.26	23.08	66.66	3.81	1.00	2.25	6.50	9.75
Netherlands, gold and silver	15½	15	4.5	25,000,000	61.8	3.2	65	40,000,000	130,000,000	19.23	50.00	30.77	1.26	5.55	14.44	8.89	28.88
Scandinavian Union, gold	15½	14.88	8.6	32,000,000	.....	10	10	27,000,000	69,000,000	46.38	14.49	39.13	.68	3.72	1.16	3.14	8.02
Russia, silver	15½	15	113	250,000,000	22	38	60	500,000,000	95,000,000	30.86	7.41	61.73	7.89	2.21	.53	4.42	7.16
Turkey, gold and silver	15½	15	33	50,000,000	.....	45	45	.....	107,000,000	52.62	47.37	.....	.93	1.52	1.36	.....	2.88
Australia, gold	15½	14.28	4	100,000,000	.....	7	7	.....	115,000,000	93.46	6.54	.....	1.03	25.00	1.75	.....	26.75
Egypt, gold	15½	15.68	7	100,000,000	.....	15	15	.....	57,000,000	86.95	13.05	.....	1.13	14.29	2.14	.....	16.43
Mexico, silver	16½	.....	11.6	5,000,000	50	.....	50	2,000,000	2,500,000	8.77	87.72	3.51	.57	.43	4.31	.17	4.91
Central America, silver	15½	.....	3	.....	.5	.....	.5	2,000,000	670,000,000	.....	20.00	80.00	.02	.....	.17	.67	.84
South America, silver	15½	.....	35	45,000,000	25	.....	25	600,000,000	196,000,000	6.72	3.73	89.55	6.53	1.29	.71	17.14	19.14
Japan, gold and silver	16.18	.....	40	90,000,000	50	.....	50	56,000,000	928,000,000	45.92	28.57	35.51	1.91	2.25	1.25	1.40	4.90
India, silver	15	.....	255	.....	900	.....	900	28,000,000	700,000,000	.....	96.98	3.02	9.03	.....	3.53	.11	3.64
China, silver	15	.....	400	.....	700	.....	700	.....	.....	.....	100.00	.....	6.82	.....	1.75	.....	1.75
The Straits	15	.....	.....	.....	100	.....	100	.....	100,000,000	.....	100.00	.....	.97	.....	.....	.....	.....
Canada, gold	15	14.95	4.5	16,000,000	.....	5	5	40,000,000	5,000,000	26.23	8.20	65.57	.59	3.56	1.11	8.89	13.56
Cuba, Haiti, gold	15½	.....	2	20,000,000	1.2	.8	2	40,000,000	2,000,000	32.26	3.23	64.51	.60	10.00	1.00	20.00	31.00
Total	.....	.....	.....	$3,632,600,000	3,499.1	553.6	4,002.7	$2,629,660,000	$10,264,960,000	.....	.....	.....	100.00	.....	.....	.....	.....

gold would be not less harmful to the industries and commerce of the world.

Every business man knows that it is not so much the extent as it is the suddenness of changes in values which causes the utter demoralization of business and the destruction of industries. If changes were small in amounts, and occurred only at long intervals, business would be adapted to them without disturbance or disaster, but where the market value of silver declines suddenly twenty to thirty per cent, and no one can foresee what further decline may take place nor what its extent may be, then the business of two-thirds of the world's inhabitants is utterly demoralized, while the greatly increased demand for gold, the standard money of the other one-third of the world, must necessarily bring about a rapid and very large advance in the market price of that metal, for the supply can neither be quickly nor largely augmented. The operation of the law of supply and demand, which brings a decline in price for an undesired surplus on the market, and advances prices when there is "a famine" or insufficient supply of any article, is absolute and inflexible. An advance in the value of the standard means a decline in the market price of everything measured by it, including wages and every product of labor, so that this inevitable sudden appreciation of gold would bring even greater distress and disaster upon the people using the gold standard than the depreciation of silver had caused to the others.

It would require a long period of depression, or financial panic, infinitely more intense than any ever yet seen, and many bitter strikes, accompanied by poverty and desperation, and a general stoppage of the wheels of commerce, before the business of the world could be adapted to the new conditions, and men would willingly accept one-half or one-third of the wages they had been accustomed to. Who can measure the effects of a general reduction of fifty per cent in the rates of wages, or of the almost total sudden destruction of the exchangeable value of the money of two-

thirds of the inhabitants of the world? It is because I appreciate and dread, though I can not measure, the effects of the commercial catastrophe which every thoughtful man knows to be impending, that I seek some simple and practical solution of this fateful problem.

It would indeed be a sad and humiliating admission to make that the intelligence and civilization of the present day can devise no safe and effective means to regulate and steady the standard of values, but that we must bungle along blindly, revolutionizing industry and commerce, while experimenting in an ignorant manner with a sudden change in the world's standards of value, the effect of which no man pretends to know or can estimate, but which every one fears will result in vast and irreparable injury to the greater part of the human race. Such a course is not only irrational, it is barbarous and wholly inconsistent with modern civilization.

When a man following his personal inclinations does that which injures his fellows, we leave to a jury the question of his rights, and the limitations which should bound the exercise of his individual liberty. When the question is between nations, modern civilization compels a submission of the case to international arbitration, which decides and declares what are the common duties and rights of mankind, which should control the actions of individual nations.

Nations recognizing the importance of greater international postal facilities have created a postal union or clearing house, which has been of such benefit that it would now be deemed a relapse into barbarism to allow each nation to regulate its own postal affairs regardless of the interests of others.

In business matters it was long ago found that the establishment of clearing houses not only afforded the means of striking final balances between the manifold transactions of its members, and thus permitted dealings of almost fabulous amount with the actual handling of very small

sums of money, to the immense benefit of business, but the banks in the clearing house, for their mutual convenience, benefit, and protection, established such a mutual supervision or control over the individual operations as prevents unsafe methods, wild "financiering," or dishonest practices. Who would revert to uncontrolled individual liberty in banking, with its countless risks, inconveniences, and disasters? It needs no argument to-day to secure the indorsement of jury trials, of international arbitration, of an international postal union, or of commercial clearing houses.

The world has outgrown the barbarous monetary methods of the past, and we should apply to the regulation of international monetary transactions those rules and limitations which have been proven of inestimable advantage in commercial business, and that have become indispensable in the administration of international postal matters and in the settlement of international questions affecting the rights and duties of nations.

A MONETARY CLEARING HOUSE, A SOLUTION OF THE GREAT PROBLEM.

I would suggest that "the silver question," with its vast and incalculable possibilities for good or ill, for the prosperity or bankruptcy of the greater part of the human race, be submitted to the arbitrament, decision, and control of an International Monetary Clearing House, or commission, composed of expert representatives of the nations, empowered and instructed by their respective governments.

1st. To select a universal monetary standard.

2d. To adopt measures for securing the use of gold and silver on such a flexible ratio as will effect permanent stability in the value of the world's money.

3d. To adopt measures for facilitating international monetary transactions and for their supervision and control.

The experience of the past justifies the belief that such a body of experts, representing the interests of the civilized

world, would arrive at a wiser and juster solution of the problem than could be expected from the more or less biased legislators of any one country.

While it may be the part of wisdom to leave this International Monetary Clearing House untrammeled by other instructions than those just mentioned, leaving to its discretion the adoption of such measures as may secure the approval of a certain majority of its members, yet it will not be amiss to outline a few points that, if not embodied in the official instructions to the commission, would yet, no doubt, form a part of its duties.

I assume that the Monetary Clearing House, either under instructions or as the result of its study of the subject, and to prevent the incalculable injury that would result from a sudden change in the world's money, would adopt the principle of universal bimetallism on a flexible ratio, and would take such measures as would secure its practical establishment in all countries. I would outline some of the measures which it seems to me would best attain the objects of the Clearing House as follows:

1st. It would ascertain the amount of money, that is of gold, silver, and uncovered notes, held by each country.

2d. It would use these amounts as the basis for the proportions in which the several nations would join in the purchase, for gold, of such an amount of the silver of the silver-basis countries as would be necessary to put each on the bimetallic basis; and also as the basis of the proportions in which the nations would join in the subsequent purchase of all the gold and silver offered each year, in excess of that specifically applied for.

3d. It could issue for the gold and silver so purchased international certificates redeemable in gold and silver at holder's option, or possibly in gold and silver in specified proportions.

4th. It would determine from time to time what change in the value-ratio of gold and silver is called for by the changed conditions of production.

5th. It would clear every national transaction in the purchase, sale, and emission of money.

6th. It would publish frequently the transactions of the Monetary Clearing House.

The Clearing House would act through the customary channels, the mints of the several countries; and while establishing a standard and regulating the value-ratio of gold and silver, it would not necessarily interfere with the coinage of the nations beyond regulating the relative values of the metals employed in it, though undoubtedly there would soon follow an irresistible public demand for a uniform international currency. This Monetary Clearing House, exercising functions somewhat similar to those of a bank clearing house, would, through the means here indicated, prevent any sudden changes and fluctuations in the value of the money of the world, which changes are so disastrous in every department of industry and commerce; yet this would not prevent a natural and gradual evolution toward a single standard for unlimited legal-tender money, should such ever become desirable.

In establishing on an absolutely stable, permanent basis the money of the whole world, and in providing a universal currency good the world over, and in exercising a salutary supervision and control over all the monetary transactions of nations, it would develop confidence everywhere, and would draw out into active use the vast amounts of both gold and silver hoarded in many countries, and thus bring about such an impetus to industry and investment and such a period of general prosperity as has never been dreamed of.

I have purposely avoided embodying in this plan the working details for its execution, for there will necessarily be differences of opinion on these, and their wise solution can best be reached by the commission itself. It may, however, be well to anticipate some obvious questions, and show how simply and effectively the plan could be operated.

The appointment of international arbitration commissions, with powers to decide and settle specific matters in dispute,

is no new or untried thing. The members of this Monetary Clearing House would be appointed in the same manner. Since large commissions are inconvenient and expensive, and the work is always done by a few individuals, it would probably be best that each of the great nations be represented by few, perhaps only by one, two, or three commissioners, assisted by counsel; each nation being entitled to such a number of votes as would represent in some fair and equitable manner its interests both as to population and money. If we assume the foregoing table to represent these interests, and that each 5,000,000 of population and $25,000,000 of money be entitled to one vote, then we would have 411 + 244 = 655 votes.

According to this the countries now using the single silver stand, including in this India, Mexico, South America, etc., would have 270 votes, while the other countries would have 385 votes. This, however, would be of little consequence, for those using the gold standard are even more interested in securing a safe bimetallism than are those using silver alone.

AMOUNT OF GOLD REQUIRED TO ESTABLISH UNIVERSAL BIMETALLISM.

The amount of money in the world is ascertained yearly with approximate accuracy by the Director of the United States Mint, and this amount seems to afford a fair and rational basis for apportioning the purchases of such silver as it may be necessary to purchase with gold, in order to put all nations on the bimetallic basis. The amount of these purchases would probably not exceed $150,000,000, for, according to recent official statements, the requirements of India are placed at only $75,000,000 in gold to establish an effective bimetallism. The rest of the world would scarcely need as much more. The amounts that the several gold or bimetallic basis countries would therefore pay out in gold for silver to establish universal bimetallism would be approximately as follows: The United States,

$32,000,000; France, $31,000,000; Great Britain, $14,000,000; Germany, $18,000,000. These amounts are quite insignificant, and could easily be provided by the several nations.

As this silver would be universally accepted at the ratio adopted by the commission (let us say twenty silver to one gold), and would be absolutely interchangeable with gold in all the money of the world, this purchase would cost *nothing*. Having thus established all nations on the bimetallic basis without cost or sacrifice, the money of the whole world would be uniform; gold and silver would be interchangeable in every country; the money of all would be permanently equal, and there would thereafter be no conflict in interest, and no "scramble for" either metal would then be possible.

The several nations could each year make requisition to the clearing house for what gold and silver they desired, and if the requisitions for one metal exceeded the supply, each country would get, *pro rata*, its proportion of what was available, while if there were a surplus of either metal unasked for, each country would take its proportion of it, according to its holding of money.

The Monetary Clearing House, for whose account the gold and silver was purchased by the different mints, could issue clearing-house certificates based thereon, that would form an international money, with the values stated in equivalent dollars, pounds sterling, marks, and francs, so that the actual value of the certificate would be known everywhere at sight. These certificates might be made redeemable anywhere in gold or silver at holder's option, or, if presented in large amounts, they might be redeemable in gold and silver in certain proportions. Since this plan contemplates permanency, there would be neither inducement nor desire to hoard, or to use one metal in preference to the other; in fact, for amounts for which certificates could be used, these would be universally preferred to either gold or silver, as the experience of this country with its gold and silver certificates has abundantly demonstrated. It might

indeed be expected that but little of the gold or silver purchased would ever be coined or used except for small change.

The frequent publication of the transactions of the Monetary Clearing House is by no means unimportant. Since every national transaction in the purchase, sale, or emission of money must be reported to the Clearing House, the publication thereof to all the world would not only tend to prevent the accumulations that are an injury to business and a temptation to war between nations, but it would tend to secure honesty in making these clearances. Nearly every man is honest when the whole world is looking on.

THE ESSENTIAL CONDITIONS FOR PERMANENT BIMETALLISM.

It is certain that no plan for the use of both silver and gold can possibly be permanently successful if it provides for the purchase of only a limited amount of silver, nor even for an unlimited amount for a limited time, as was proposed in a plan submitted to the Brussels Conference in 1892. The smallest surplus on the market makes the price of the whole, and there can be no stable money when there are differing coinage and market values for the metal used in it. Even if the amount to be purchased were placed high enough to absorb the total production at the time, the expectation that this would at a later day exceed the amount to be taken and that the price would then decline would bring into the market the hoardings of previous years. If the purchases were large in amount, but were ordered for only a limited number of years, every one anticipating the "deluge" at the end of that period would, by forcing sales of accumulated stocks, bring the "deluge" before its expiration.

Neither is it possible to make a plan permanently successful that contemplates the purchase of even unlimited amounts for an unlimited period, if these are to be made on an absolutely unchangeable value-ratio between the metals;

for the conditions of production are constantly changing, and at the fixed ratio adopted it might be that the output of one metal, becoming extremely profitable, would be enormous, while the output of the other might be stationary, or even decline because it was unprofitable to produce it at that market price. It is therefore absolutely essential for permanent success in any plan for bimetallism that each metal shall be taken without limit as to quantity or time, and that the value-ratio between the metals shall be flexible and capable of adaptation to varying conditions of production, so as to prevent such an overproduction of either as would eventually render the maintenance of the continued circulation of both impossible. These are the essential conditions of permanent bimetallism, and it is certain that they can be secured by this plan.

Since the coins or certificates issued for the metals purchased are redeemable in gold, or, if in large amounts, in gold and silver, a change of ratio will not affect the holder of the coin or certificate therefor. A change of ratio would only require that each country deduct from the value of so much of its money as is in the depreciated metal one-half the amount by which the ratio has been changed, and add to the value of its stock of the appreciating metal in corresponding degree. If the holdings of the two were of equal value (and at the ratio of twenty silver to one gold the world's stock of the metals in coin are very nearly equal, though the proportions held by individual countries differ), a change in ratio would make no alteration in the total value of the world's stock of money. Thus a very much greater stability in the value of money can be secured under this system of bimetallism than is possible with a single metal for money.

It is evident that changes in the value-ratio of the metals would be made rarely and to but small extent, for the values of the metals would remain absolutely fixed and stable in the open market at the ruling ratio. This has been abundantly proven in the past.

THE POSSIBILITY OF MAINTAINING THE RATIO ADOPTED.

A study of the records, cited on another page, shows in the clearest manner that there has been from very early times a certain, though not uniform, increase in the value of gold as compared with that of silver; or otherwise, a steady, though irregular, depreciation in the value of silver as compared with gold. In the twenty-eight years from 1493 to 1520 the production of silver averaged by weight eight and one-tenth times that of gold, while it required ten and three-fourths of silver to equal one of gold in value. The production of gold grew but very slowly during the one hundred and seven years from 1493 to 1600, while that of silver increased about seven hundred per cent, its output averaging in the twenty years ending 1600 no less than fifty-six and eight-tenths times that of gold, though its relative value declined only about ten per cent, or to a ratio of eleven and eight-tenths to one gold. During the next century the output of silver actually declined, while that of gold increased. The relative weights averaged from 1680 to 1700 about thirty-one and eight-tenths silver to one gold, or nearly the same proportion in which the metals are at present produced; yet while it then required only fifteen of silver to equal one of gold in value, it required in 1892 no less than twenty-three and seventy-three one-hundredths silver to equal one of gold, and at the present time it requires about thirty to one.

During the one hundred and seventy years from 1700 to 1870 the relative values of gold and silver varied only between the limits of fourteen and one-fourth and sixteen and one-fourth to one (which represented about the average coining ratios), though the production-ratio fluctuated between the limits of four and fifty silver to one gold. Thus from 1700 to 1720 the production was, by weight, about twenty-eight silver to one gold; one hundred years later, in 1800 to 1810, it averaged fifty and three-tenths silver to one gold, and fifty years later, or from 1850 to 1860,

it averaged only four and one-half silver to one gold. The production of gold had in the last period of ten years attained about 200,000 kilos a year, a figure it never before or since reached. From this maximum it steadily declined until 1884, when it amounted to about 145,000 kilos, and it has since slowly increased until 1892, when it reached 196,000 kilos.

The production of silver has increased more uniformly and rapidly than gold; in 1670 it was about 335,000 kilos a year, and in the year 1892 it amounted to nearly 6,000,000 kilos, being then at the ratio of about thirty and two-tenths silver to one gold, by weight; the production and value ratios, being now (July, 1893) temporarily nearly equal.

From this record it is very evident that during all the past, up at least to 1870, the value-ratio of silver and gold was not governed by their production-ratio; or otherwise the value of silver as compared with that of gold was not governed by either the actual or the relative production of the white metal; it was in fact maintained almost stationary for the two hundred years preceding 1870, while its actual production increased four-fold, and its relative production fluctuated between four and fifty to one of gold. The reason for this stability in value under such widely varying conditions of production is not difficult to find.

There is nothing mysterious or sacred about gold and silver; they are simply commodities whose market values depend, like those of all other commodities, upon supply and demand. The demand for silver previous to 1871, when nearly all the nations had free coinage of silver, took all that was offered at about its average coinage ratio with gold. Whether the amount produced was actually or relatively great or small, it found a market in coinage at the coinage ratio; the demand was not so urgent as to induce "a scramble for silver" when its output was only four times as great as that of gold, and its market price never advanced materially above the coinage ratio; yet when it

was produced in relatively enormous quantities, its price did not decline because of its universal use in coinage. Unquestionably the growing wealth of the world as well as the intrinsic properties of the metal have tended to increase a preference, which seems always to have existed, for the more valuable metal, gold, and to widen its use in money, thus tending to restrict that of silver.

Germany, in December, 1871, assumed the sovereign right of coinage, adopted the gold standard, and discontinued the mintage of the silver standard, and in July, 1873, it commenced the sale of its silver, and thereby forced France, and in the following year the whole Latin Union, to limit its coinage of silver. In February, 1873, the United States, which had then no silver money in circulation, reduced the legal-tender right of silver to payments not exceeding five dollars; thus practically demonetizing it. In 1874 the Scandinavian states demonetized silver, and in 1875 and 1876 Holland, Switzerland, Belgium, France, Spain, and Russia suspended the mintage of silver, except in special cases, for government account. These various acts greatly curtailed the demand for silver in coinage, and the German sales, added to an increasing production, so overstocked the market that the price of the metal declined below its coining value, a condition which has continued to the present time, notwithstanding the heavy purchases of silver by the United States Treasury under the Bland Act of February, 1878, and later under the Sherman Act of July, 1890.

Under the recent suspension of free silver coinage in India, the market for the metal is still further lessened, and, with the proposed and inevitable stoppage of purchases by the United States Government, to be followed no doubt by the suspension of free coinage in the remaining silver-basis countries, we are brought face to face with a sudden decline in the value of silver, and an appreciation in that of gold, which threatens great financial distress to the whole world. In only one way, namely, by an international agreement for

bimetallism, does it seem possible to prevent these impending disasters.

EFFECTS OF THE SUDDEN DEMONETIZATION OF SILVER.

In order to appreciate the first and most direct loss the general demonetization of silver would occasion, we must get some idea of the price to which silver would probably go if the demand for it as a money metal should be limited to its use in subsidiary coinage.

The subsidiary silver coinage of the United States amounts to about $78,000,000, or rather less than five per cent of our total money; that of Great Britain is about fourteen per cent of the total money; that of Italy five per cent; Germany eleven per cent, etc. It is probable that in poorer countries the proportions would be greater, but if it averaged even ten per cent of the world's money, it would be but $1,000,000,000, or say one-quarter of the total stock of silver.

The experience of the United States has fully demonstrated that people greatly prefer paper certificates to silver coins, and if silver were demonetized, paper certificates of one dollar and upward would be based on gold and not on fluctuating silver. There would then be practically no use, as money, for the greater part of the $3,000,000,000, and something like 75,000 tons of silver would be in stock, and would have to find a market along with the annual production, while a comparatively small amount annually would supply the requirements for subsidiary coinage.

The physical properties of silver do not render the metal very much more useful in the arts than nickel, aluminum or copper, and would certainly not create for it any *large* uses at a figure at all approaching its present value. Silver, however, can not now be produced in quantity at less than about sixty-five cents per ounce; nor does it exist in nature in that abundance which would ever allow it to compete in price with these other metals.

When once the conviction had become general that silver would no longer be a money metal and that its value would depend on its physical properties alone, and would be regulated, as is that of other metals, by the surplus stock on the market, then the demand for silver in the arts would heavily decline; indeed no one would buy silver to-day at seventy-five cents per ounce if he believed that within a year it would be worth forty or twenty cents. The glamour of traditional value in money having disappeared and there being an enormous stock of the metal on hand, its price would probably sink, not only far below cost of production, but even below its intrinsic value as a metal, but where the market price would stop, whether at fifty cents, at thirty, at twenty, or at ten cents per ounce, no one can tell. Aside from its use in money it would find such limited use at even twenty cents an ounce that the stock on hand would supply the market for very many years, and it is unlikely that, if universally demonetized, the present stock could be marketed promptly at even that price. It is true the whole amount might not be sold at the assumed minimum price, but there would also be a considerable loss on the subsidiary coinage, which would have to be increased in weight, to prevent counterfeiting, when the value of the metal declined so heavily.

The actual loss through the demonetization of silver would not by any means be measured by this sudden destruction of say $2,000,000,000 in the value of the world's stock of silver money. The silver-basis nations would necessarily be obliged to buy gold, and adopt the gold standard, and there would quickly result a general "scramble" for the metal. The inhabitants of India would "run for gold," and would buy it at any price with the silver they have. The United States would, very probably, endeavor to greatly increase its holding of gold—perhaps it might endeavor to buy and hold from $200,000,000 to $500,000,000, issuing bonds to pay for the same.

What would happen if the United States should enter the

market to buy even $100,000,000 of gold; the Indian Government and the native Indians even $200,000,000; Mexico, South America, Japan, China, and the rest of the silver world even only $300,000,000 of gold; or in all say $600,000,000, should no European country join in the "scramble"? What would be the effect of an urgent new demand, in the already bare market, for $600,000,000 of the yellow metal? Where would it come from and to what price would it go? Who can say it would not bring thirty or forty dollars an ounce, and who can estimate the effect of such an advance in the purchasing power of the then sole standard of values? Would it not close the workshops of the world and bring commerce to a stand? Can any man conceive the horrors and the barbarisms which would be the outcome of destitution and starvation caused by the general stoppage of the wheels of industry? The policy of allowing such a problem to "work itself out" is barbarous; its consequences are far too momentous to allow of such ignorant experimenting.

Great Britain is the great commercial, the great creditor nation. She supplies every country with her manufactures and invests her enormous wealth in the securities, the bonds, stocks, mortgages, real estate, etc., of nearly every country. The amount of her holdings of foreign securities has been estimated by eminent authorities at something like $9,000,000,000, or more than the entire amount of the gold and silver money of the world. It is to her interest, infinitely more than to that of any other nation, that the purchasers of her manufactures, those who keep her factories running, the borrowers to whom she lends her wealth, should be prosperous and have a stable money.

England more than any other nation can facilitate a happy solution of the problem; and she, by simply holding back and doing nothing, can precipitate these dangers and disasters which must inevitably follow the sudden change which is now taking place in the standards of values. With England's assent to some such plan as is here proposed that

of the world would probably be assured, so that the responsibility for the consequences of failure to adopt it, or the credit for securing this great step in civilization, will rest upon Great Britain.

The United States, the Latin Union, South America, Mexico, India, nearly all other countries, would unquestionably favor a plan which would prevent a sudden change in the value of silver, and that would promise such an immense improvement in their monetary affairs.

The clearing-house plan does not extend in any dangerous manner the control which every civilized government now exercises over the making of money; it merely simplifies and brings under international supervision the money now used as the world's measure of values, and this control it proposes shall be carried out on the well-tried and universally successful lines followed in every country in banking and commercial clearing houses.

Legislatures as a rule are not as well qualified to regulate and control monetary transactions as would be an international clearing house composed of prudent and experienced financiers who would devote their best abilities to this momentous question. No measure which aimed at giving special benefits to one nation at the expense of the others could find acceptance by the majority of such a body.

It is not merely to the interest of every civilized country that there should be a common standard of value, and that none of the existing money of the world should be suddenly destroyed, but it is clearly essential that this money should be subjected to a control that would effectually prevent such pernicious financial practices as have frequently brought great loss and injury on the industries of nations. Under this plan all existing money would be retained in use, without possibility of either metal going to a premium as compared with the other. The price in the open market of either could not rise materially above its value in money, and any large overproduction of either would be effectually prevented through a flexible ratio which would also permit;

without disturbance or sudden loss, the gradual evolution toward the use of a single metal, or of some still better measure of value, if that should ever be found desirable.

It is argued that there is a natural evolution toward the sole use of gold, and that this evolution should be allowed to work itself out without interference. There was also a natural evolution going on in Africa through the operation of which the native races of negroes were being exterminated or carried away into slavery, but civilization called for and secured international agreements for the suppression of the slave trade, and stopped or retarded the operation of the law of the survival of the fittest.

There is a natural evolution in the race toward the practice of justice and a regard for the rights of others, whether of the weak or of the strong; and this practice naturally induces a respect for our own rights, and augments our own prosperity through the increasing welfare it brings to others.

The problem before us for solution is to take the existing conditions, and, by the exercise of justice and enlightened consideration for the interests of the human race, to regulate such changes in the money of the world as will bring us gradually and without disaster to that better system which increasing intercourse has already rendered desirable, and which will soon become absolutely indispensable to that broader civilization to which the evolution of the race is leading us.

This is no narrow question of the profits of a few silver producers, nor of the interests of a State, nor even of the advantage of a single nation; it is a question affecting the prosperity, the progress in civilization, of the whole human race. Its wise solution will remove the depression and disasters that now hang over the industrial world; will effectually prevent their recurrence from this cause, and will bring a period of such widespread prosperity as the world has never witnessed. So mote it be.

USURY LAWS.

By Mr. W. A. Paulsen of Chicago.

UNDER the impression that this Congress might be a fit place to get an expression, and possibly moral support, in an effort to get the rates of interest for small loans increased, so as to enable reputable banks to loan small amounts at a fair profit, I consented to address you, and, to begin with, I assure you I understand the bankers' maxim, "make it short."

The kindly allusions of our chairman, Mr. Gage, to the rank and file of the profession eased my mind considerably, and has given me courage to at least suggest the ideas that I am requested to represent, and for which the Citizens' Association of Chicago has for many years, in one way and another, tried to impress upon the Illinois law-makers.

I am not here to paint a picture of the evils wrought by usurers in big cities, for that is record. It is not my purpose to take advantage of polite attention to inflict you with a screed on usury wrongs or the history of its laws. First, because you probably know as much about it as I do. Second, because legitimate bankers have no fear of such laws. Third, because if by any slip any of you should ever unintentionally charge more than legal rates, you don't want a long moral lecture on usury and law-breaking to disturb your peace.

We all know that rulers, senates, parliaments, and legislatures have made laws to regulate interest on money from the time of Solomon, and we all know that, as Jeremy Bentham said a hundred years ago: "The openings in the statute are so large that usurers can drive through in coaches gilded with gold extorted from their victims."

No commodity on earth is more worthy of its market price than money, for no commodity is so sensitive to external influences, and none less satisfactory to lock up and store away. A barrel of gold is not worth as much as a biscuit to the shipwrecked sailor. Storing it in vaults brings care for its safety and no reward. Money actually has no value except in getting rid of it for something you want. The real intention of usury laws is not to restrict a fair price for money, but to prevent unprincipled abuse of the opportunities money-lenders often obtain. We realize that what is a fair price to-day might be excessive another day, but as intention is the ruling spirit in interpreting all laws, so bankers interpret usury laws. To rigidly deny the money-lender a fair price would cause him to cease lending, and when the lending is stopped, stagnation in business begins. No class of men on earth, whose profits are restricted by law, know better the meaning and intent of the law, and no law ever written is broken more freely, nor with more impunity; perhaps because, like the marriage laws, the offender is tempted by a willing victim.

New countries have no usury laws, because they cheerfully pay a premium to capital. It is a mark of civilization when a State enacts its first interest law; and these laws would drive out capital, were it not that they indicate stability in values and a self-respect that inspires confidence in securities.

Pardon me for so many generalities. I have a practical question growing out of these facts, pertinent to the subject. First, it is a fact that large banks do not desire petty accounts and petty loans, because they are unprofitable. Second, large banks are continually, by direct or indirect action, discrediting banks that by close economy do make them. How? By faint praise, by manifestoes that clearing-house banks are all right, by enforcing clearing-house rules and refusing certification. The large banks, dealing with large commercial accounts, seldom think of usury laws; they correctly say that they lose money on small accounts;

they discourage them, and drive them out. This is the origin of the small bank, and ever will be, because our poorest mechanic or tradesman has been educated to transfer his money by means of checks, and must have a place to deposit the paper given him by his rich patron.

The small banks, especially in the country, unconsciously charge usury almost daily. A loan of one hundred dollars or less is a daily matter; no interest is figured, but a round fee charged for a loan, on which the letter of the law allows but a few cents interest, but which requires the same detail of entry, investigation, and collection as a large loan. It is worth the even dollar that is charged, yet it figures into flagrant usury — the law is broken, the banker a malefactor instead of the benefactor that the borrower considers him. If legal rates were claimed, the loan would be refused because of the loss entailed, and a mighty class of honest borrowers driven to the genuine usurers, whom the pawn laws recognize by keeping them under police surveillance. This condition prevails in most of the English-speaking countries of the world — truly a spectacle for modern civilization to contemplate — a law actually honored in the breach violated manifestly for the public good. The thrifty, poor, or small tradesmen have the same emergencies requiring loans that come to the rich. The law intended to protect them, would drive them to the rogues if enforced, for the money must be had at any price when sickness or death enters the humble home.

What is the moral? That our usury laws are useless? No; for they serve as a most valuable check for use against any unfair charges. But why make it possible for malice to apply the opprobrious epithet "usurer" to the banker who fairly and honestly caters to the wants of a class too petty for the big banks to deal with profitably?

What is the lesson? That small banks, that is, banks where small tradesmen can get banking accommodations, are a necessity in our modern economy. That small banks which can not afford the expense of clearing-house mem-

bership should be fostered, cared for, and given a standing, and when times of panic and distrust arise, be examined by the committees, and be included in the manifestoes of safety and reassurance to the public, if worthy, and not, as now, be ignored, and so by innuendo condemned.

Experience has shown that it costs more to make one hundred loans than to make one, and if the same amount is involved in both cases, the small bank has lost money in getting the same amount out in a hundred loans that has fairly profited the big bank in one loan. Concede that banks are proper to take the business you reject and your duty is clear to foster the small bank, and not sneer, nor permit your clerks by innuendo to injure them, knowing, as you well do, that size does not make the sound bank, but method, securities, and cash in proportion to liabilities. I claim that they have as much of a place in the community as yours, their methods as honorable, and their rates lower in proportion to expense than yours.

What should be done? Should the law compel big banks to take petty accounts and trifle with small loans? Manifestly not. Should the law create small banks, and thereby recognize their necessity, and at the same time fix rates on small loans that entail a loss or the risk of usury? Certainly not. It is the spirit of all laws to protect, and the usury laws, above all, are intended to protect the weak, but in view of the facts it seems patent to me that our usury laws are as crude as those of the ancients. They do not provide for the class of loans which the enforcement of the legal rate makes unprofitable, and so forbids, and in times like these add to the stringency by allowing no premiums for extra risks. Some say, "Go to the laws governing pawn-brokers." Shame! No self-respecting father will have his family property listed in the police records until driven there by want; the chattel-mortgage laws are worse, because expensive, cumbersome, and slow. The small borrower shows a greater percentage of honesty and good

credit than the large. He is willing to pay cost and a fair profit for his accommodation.

Should the remedy be in a law authorizing, under Government supervision, increased rates for loans under certain amounts? I humbly beg to answer — yes. Most of our States already have the machinery for a system of inspecting State banks. These banks are, in the very nature of things, the small banks of which I have been speaking. Surely such a law could be easily operated, and the law that so well provides for the savings also provide for loans, and spare the vast multitude that now support the host of irresponsible loan offices. State banks might be authorized to loan on any approved security or collateral, giving them all the powers to do good, so fully exemplified by the French Mont de Piete, and it goes without saying that public examination, competition, and the honorable instincts that should be inherent in every bank official, would insure the community against any of the outrages that have made the term usurer so offensive the world over. Bills have been urged to this end in many States, and especially by the Citizens' Association in this State, but defeated because of an apathy on the part of those who should work for them.

I do not advocate national pawn-shops, or even State pawn-shops. I have simply been urged to call the attention of you men of finance, who can so readily understand the situation, to the absurdity of our usury laws, and to urge upon you, if you would concede the need, to lend your voice and influence in such directions as may offer both to nurture and foster the bank whose clientele is the small borrower, and to protect him from the slanders of the malicious who may frequently find technical grounds for charging a breach of the law.

Gentlemen, if this voice from the ranks has tired you with truisms, I ask forgiveness. I speak at the instigation of a host behind me. If I find sympathy among you I shall feel pleased at a duty done.

BANKING IN CANADA.

By Mr. B. E. Walker of Toronto, Canada.

LYMAN J. GAGE, presiding, introduced the speaker in the following words: "This is the last evening meeting in the series that have been held by this Congress. I think all who have attended will bear witness to the very high character of the papers, and accord the praise which the speakers deserve. It is a matter of great regret to all who have attended, and I think to us who have had the labor, such as it has been, of preparing for this Congress, that the attendance has not been larger. It comes, I think, in a great degree, from the influence of social events. Many of our citizens are entertaining strangers, and many of our delegates are being entertained; and they find it difficult to spare each other.

"The great attractions of the city at the south, and the distractions of a great city account for the non-attendance of many of our visiting friends. It is very gratifying to know, however, that the benefit of the work done by this Congress will not be limited to the small number who have listened to the papers. A publishing-house of high reputation, able to recognize a good thing, has engaged to publish all these proceedings. A large edition will be prepared, and those who have favored us with their papers and addresses will find a much larger audience in the future than they have enjoyed here. I am sure, to all those who have attended and to all who have addressed the Congress, we feel under a deep sense of obligation; and it is my privilege, as it is my pleasure, now to extend to them on behalf of Chicago, and especially on behalf of the committee, who from their position can more justly appreciate

the obligation, our gratitude and satisfaction. I now have the pleasure of introducing the first speaker of the evening, Mr. B. E. Walker of Toronto, Canada, who will make an address upon Banking in Canada."

MR. WALKER'S ADDRESS.

I would like to have had the satisfaction of speaking extemporaneously to you; that would have given me pleasure. I am condemned, however, to read a long and perhaps tiresome paper. In the course of my paper I have occasion to make comparisons between banking in Canada and banking in the United States, partly because that makes my paper more intelligible and partly because such a comparison seemed to be natural at this time. It would not be natural that you would take from a foreigner such severe criticism as kindly as you would from one of your own people. However, I wish to secure your forbearance by telling you of my own career.

I have lived eight or ten years in New York, in the banking business, and I have been in my whole banking experience of thirty years intimately connected with the United States. My position is not very different from that of an American banker. If I say anything in the way of criticism it is offered in the kindest and most fraternal spirit, and not for the glorification of banking in Canada.

In common with other social developments, modern banking is mainly the result of heredity and environment, and not of arbitrary legislation or the general admission in any wide degree of settled principles in the practice of banking. The student endeavoring to understand the science of banking, seeking to discover some body of principles underlying the practice of banking throughout the world, is confused by the radical differences between the systems of the various nations and the complicated nature of the conditions surrounding each of these systems. The most-cherished dogma of one country is rank heresy in another. The

principles suitable to an old country, with a compact population, a highly developed railroad and telegraph organization for the distribution of commodities and information, and wealth enough to be lenders to other nations, are not applicable to a new country with a scattered population, imperfect means of distribution, and little wealth apart from fixed property — a country, indeed, requiring to borrow largely from older and wealthier communities.

Again, if in any country banking has been left to develop itself in accordance alone with the requirements of trade, or nearly so, that country has been fortunate in this respect as compared with others, where the national debt, caused by war or extravagances in public works, has been made the basis of the currency. Sometimes, however, the condition of the present environment in two countries may be in many respects similar, and yet a practice in banking which has worked out desirable results in one of these countries can not be attempted in the other. The body of banking principles in the other country may be so different, because of hereditary influences, as to make it impossible by any kind of evolution to add the practice which has proved so serviceable elsewhere.

I am aware that there is nothing new in this point of view, but in attempting to speak on the subject of banking in Canada I can not avoid comparison with this great country, where banking systems are being keenly discussed, and where it is admitted that changes, perhaps of a radical nature, are necessary. In contending for the comparative perfection of the Canadian system I do not wish to be understood as asserting that the points of superiority in our system could be adopted here. For over half a century banking in the United States has been following lines of development opposed in many respects to the Canadian system, and it may well be that, no matter how desirable, it is too late to adopt our practices.

My main object, however, is to describe the banking of Canada, and to demonstrate, if I can, its suitability to the

requirements of trade in that country and not its suitability elsewhere.

BANK CHARTERS.

It has been occasionally urged by writers in financial journals published in the United States that banking in Canada is a monopoly, and therefore unsuited to the democratic principles of this country. These writers have overlooked the fact that the Province of Ontario, the center of thought and progress in the Dominion, is the most democratic community in the British Empire, and that the legislation of Canada, whether in form or not, is in reality as liberal as it can well be. Banking in Canada is not in any sense a monopoly. Whether it can be said to be "free banking" as understood in the United States depends on what is meant by that term. In the United States a certain number of individuals having complied with certain requirements—more numerous and complicated, by the way, than the Canadian requirements—become thereby an incorporated bank, if we regard the consent of the Comptroller of Currency as a matter of form. In Canada, merely in order to follow the British parliamentary methods, when a certain number of individuals have complied with certain requirements they are supposed to have applied for a charter, which Parliament theoretically might refuse, but which, as a matter of fact, would not be refused unless doubt existed as to the bona-fide character of the proposed bank. Then, as in the United States, on complying with certain other requirements and obtaining consent of the Treasury Board (performing in this case the same function as the Comptroller of Currency in the United States), the bank is ready for business.

The main difference in the matter of obtaining the privilege from the people to carry on the business of banking is that in Canada the subscribed capital must be $500,000, paid up to the extent of one-half, or $250,000, and this fact must be proved by the temporary deposit of the actual

money with the Treasury Department. If it is contended that a monopolistic element is introduced by making the minimum paid-up capital $250,000, I have only to point to the varying minima of capital in the national banking system, based upon the population of the city or town where a bank is established. The minimum with us is placed so high because with the privilege to carry on the business of banking is attached the privilege to open branches and to issue a bank-note currency not secured by special pledge with the Government. In the opinion of many Canadians the minimum is too small. So much for the statement that banking is less "free" in Canada than in the United States. I think the very term "free banking," about which so much was written in the antebellum days, is a misnomer; and I hope there are many here who agree with me that a little less of freedom in the ability to create a bank, and a little more knowledge on the part of the people regarding the true function of banking, and its high place in the world of commerce, would be for the public good. What we want is the most absolute evidence, when a bank is created, that its projectors are embarking in a bona-fide venture and have put at risk a sum considerable enough to insure that fact.

In Canada, as in the United States, shareholders in banks are subject to what is known as "double liability." For the benefit of any of my hearers who may not understand the phrase I will quote the section in full: "In the event of the property and assets of the bank being insufficient to pay its debts and liabilities, each shareholder of the bank shall be liable for the deficiency to an amount equal to the par value of the shares held by him, in addition to any amount not paid up on such shares" (Sec. 89). I can remember when the practical value of this power to call on the shareholders in the event of the failure of a bank for a second payment to the extent of the subscribed amount of the shares was doubted by many. Shares were transferred just before failure to men unable to meet such calls, and willing to be used in this manner, or shares were found to be held

by men of straw who owed a corresponding amount to the bank. Or, again, many of the shareholders were borrowers for amounts far in excess of their holdings in shares, and the failure of the bank precipitated their failure as well, and they were thus unable to pay. Of course there were always some real investors among the shareholders, but the value of the double liability was a very variable and doubtful quantity. These features have not, as we know, all passed away, but we have done as much as we could to guarantee an honest share list and to prevent the shareholder from escaping his liability. Banks are not allowed to lend money on their own or the stock of any other Canadian bank, and as the minimum paid-up capital of $250,000 must be deposited with the Finance Department before a bank commences business, this should insure a bona-fide capital at the start. All transfers of shares must be accepted by the transferee. No transfers within sixty days before failure avoid the double liability of the transferrer unless the transferee is able to pay. A list of the shareholders in all banks is published annually by the Government, and this book is eagerly examined by investors to ascertain changes in the share list of banks which might indicate distrust. As the capital of each bank is large and the number of banks small relatively to the United States, there is, regarding everything connected with the credit of a Canadian bank, an amount of public scrutiny which leads to circumspection in the conduct of bank authorities. Again, the very fact that the capital is large and that the banks have many branches and a more or less national character, causes the stock to be widely held. In the largest banks the share list numbers from 1,800 to 2,000 names. We still, doubtless, have plenty of bad banking and will always have it. No legislative checks will prevent that, and even a severe public scrutiny will not altogether prevent it; but our banking history since the confederation of the old provinces into the Dominion in 1867 shows that the double liability has been a most substantial asset, and has done much toward ena-

bling liquidated banks to pay in full. In my own province of Ontario we have the fine record of no instance, save one, since confederation in 1867, in which all creditors have not been paid in full.

In the case of this one blemish the dividends amounted to ninety-nine and one-third cents to depositors, only the unwarrantably high fees paid to the liquidators causing the dividend to fall below one hundred cents. In the short life of this institution almost every sin in the calendar of banking had been committed.

TERM OF THE CHARTER.

Under the United States national banking system the life of a bank is limited to twenty years from the date of the execution of the particular bank's certificate of organization, but at the expiration of the first, or any succeeding period, the bank, if it elects to do so, may have its corporate existence renewed for the same number of years. Under the Canadian system the charter of every bank expires at the same time, and the renewal period is only ten years. I do not intend to discuss the length of the period — most of us think it quite too short. It is the effect of all charters expiring at the same time to which I desire to draw your attention. This condition of things doubtless arose merely from the confederation in 1867 of the provinces which had granted the then existing charters, but which thereupon surrendered their authority over banking institutions to the Federal Government. As the charters granted by the old provinces expired, the banks working under them became institutions subject to the new Federal or Dominion Banking Act, and by its conditions every charter expires at the same time. This insures a complete discussion of the principles underlying the act, and of the details connected with the working of it, once in ten years. In the interval we are almost free from attempts by demagogues or ambitious but ill-informed legislators to interfere with the details of

our system, but during the session of Parliament preceding the date of the expiry of the charters we have to defend our system from the demagogue, the bank-hater, the honest but inexperienced citizen who writes letters to the press, sometimes the press itself — indeed from all the sources of attack which institutions possessing a franchise granted by the people experience when they come before the public to answer for their stewardship. But while resisting the attacks of ignorance, we are, of course, called upon to answer such just criticism as may arise from the existence of defects in our system developed by the experiences of time. Or perhaps, as when the act was under discussion in 1890, we may see the defects even more clearly than the public, and may ourselves suggest the remedies. Whatever may be said for or against these decennial battles, the product of the discussion is a banking act improved in many respects by the exchange of opinion between bankers and the public. The banking system having been subjected to unsparing analysis by an unusually enlightened people — perhaps too democratic in tendency and too jealous of every privilege granted, but anxious to build rather than to destroy — is brought at each period of renewal to a higher degree of perfection.

BANKING PRINCIPLES.

What is necessary in a banking system in order that it may answer the requirements of a rapidly growing country and yet be safe and profitable?

1. It should create a currency free from doubt as to value, readily convertible into specie, and answering in volume to the requirements of trade. In saying this I do not wish to be understood as asserting that banks should necessarily enjoy the right to issue notes. Whether they should or should not issue notes must always, I presume, end in a discussion as to expediency in the particular country or banking system.

2. It should possess the machinery necessary to distribute money over the whole area of the country, so that the smallest possible inequalities in the rate of interest will result.

3. It should supply the legitimate wants of the borrower, not merely under ordinary circumstances, but in times of financial stress, at least without that curtailment which leads to abnormal rates of interest and to failures.

4. It should afford the greatest possible measure of safety to the depositor.

We think in Canada that our system possesses all these qualities, and we are confident that we have a currency perfectly suited to our trade and other requirements. We have not, however, arrived at our present reasonably comfortable condition by any other process than the usual slow development from a past full enough of error and bitter experience.

HISTORICAL SKETCH.

It is perhaps not generally known that we were among the first in modern times to issue *fiat* paper money for general circulation. In 1685, in the time of the French régime in Canada, the Intendant could not pay his soldiers. The little struggling colony, after the manner of all new countries, was an absorbent of money, and France was nearly bankrupt and could afford no aid. So the Intendant, left to his wits alone and having a helpless people to deal with, cut playing-cards into small pieces, wrote thereon his promises to pay, accompanied by the seal of France, and thus led the way in North America in this seductive method of paying debts. For the next thirty years this was the money of Canada. Although always written, because the people would not have accepted printed promises to pay, the volume rose to about $20 per head, when the usual results of *fiat* money followed. It was compromised, and the Government promised never to repeat the experiment. The poor colony, left with no regular currency, struggled

for a time, but in 1729, at the request of the people, card money was issued again. They had now some experience, but did not understand how to draw lessons from it, and the amount issued was so excessive that when the British took Quebec, and assumed the government of Canada, one of the most troublesome features in the settlement with France was the arrangement for the retirement of this currency. It would have been well if this complete exposition, although on such a small scale, of the unsoundness of *fiat* money had served for all North America. Mr. Sumner says there was a bank in Massachusetts as early as 1686 which may have issued notes, but there is a story in this connection so picturesque that I hope it is true. A couple of Massachusetts fur traders are supposed to have visited Canada a few years after the card money first appeared, and to have reported at home the prosperity resulting from the experiment, and so when the military expedition against Canada was organized in 1690, what more natural than that Massachusetts should have paid the cost in the first of that currency which in its final stages of collapse has given our language that expressive phrase, "not worth a continental"? We were even smaller, relatively, in population then than we are now, yet apparently you did not hesitate to adopt a very bad feature in our development. If we have anything to-day in our financial conditions worth your attention, I hope it will not the less merit your approval because the development is on such a small scale. Sound or unsound principles are perhaps more easily detected when a system has not become complicated beyond the capacity for analysis of the ordinary individual.

I will now, in as few words as possible, finish the historical sketch which is necessary to the clear understanding of our currency and banking as it exists at present. Shortly after you organized a bank in Philadelphia in 1781, and another in New York in 1784, the merchants of Quebec and Montreal began to agitate for a bank of issue. In those days a bank without the power to issue notes was of little

use; but the people of Canada having very strong opinions on this subject, the attempt was a failure, although in 1792 a private bank of deposit resulted. The merchants tried again with the same result in 1807–08. But during the War of 1812 the Government found it necessary to issue some kind of paper money, and an army bill office was created. These were the first paper notes put in circulation in Canada under British authority, and as they were paid in full, the people must have been at last convinced that all paper money was not bad. In the Province of Nova Scotia, not then joined with us in the Dominion of Canada as it is now, Treasury notes were also issued in 1812. At the same time banking was growing rapidly in Great Britain and the United States, and in 1817 our first joint-stock bank was created — that great institution of which we are all so proud, and which I am sure has done its share in making Chicago what it is to-day — the Bank of Montreal.

From 1817 to 1825 two banks were established in Lower Canada (Quebec), and one each in Upper Canada (Ontario), New Brunswick, and Nova Scotia, all now doing business except one.

I will not attempt to follow the course of banking in the old provinces, but it is necessary to indicate the condition of banking and currency at the time of the confederation of the provinces into the Dominion of Canada in 1867. There were thirty-nine charters, but only twenty-seven banks doing business. The charters expired at various dates from 1870 to 1892, and varied in accordance with the views regarding banking in the different provinces. In Upper and Lower Canada (Old Canada) shareholders were liable for double the amount of their stock, except that there was one bank *en commandite*, the "principal partners" having unlimited personal liability. In most cases notes could be issued equal to the paid-up capital *plus* specie and Government securities held. In New Brunswick charters had been granted without the double liability, but the principle was being insisted on in renewals, while in Nova Scotia, in

the opinion of some, there was no double liability. In Old Canada and Nova Scotia, as a rule, total liabilities were restricted to three times and in New Brunswick to twice the amount of capital. There was also one bank with a royal charter, head office in England, and shareholders not under double liability. The situation was further complicated by the "Free Banking Act," under which notes could be issued secured by deposit of Government debentures, and by the legal-tender issues of the governments of Old Canada and Nova Scotia. In 1866–67 two of the largest banks in Upper Canada failed, resulting in a very severe financial crisis.

Under these conditions, and after tentative legislation in 1867 and 1870, the first general bank act of the Dominion was passed in 1871 (34 Vict. c. v). It confirmed the special features in the bank working under a royal charter, and that with "principal partners" personally liable, and it will be understood in any statements hereafter regarding banks as a whole that these institutions are not referred to. As the charters of other banks expired they were renewed under the Dominion Act. The first act extended all charters for ten years, which practice has been followed thus far. There were various amendments during the first few years, but since then changes have been infrequent, except at the regular revisions in 1880 and 1890. The act hereafter referred to is that assented to May, 1890, and which came into force July, 1891 (53 Vict. c. xxxi).

NOTE ISSUES.

In the successive banking acts of the Dominion Parliament banks have been empowered to issue circulating notes to the extent of the unimpaired paid-up capital. By the first act the note-holders had no greater security than the depositors and other creditors. At the renewal of charters in 1880 the circulating note was made a prior lien upon all assets; and at the last renewal in 1890 the banks, at their own suggestion, were in addition required to create in two years a guarantee fund of five per cent upon their circulation, to be

kept unimpaired, the annual contribution, however, if the fund is depleted, to be limited to one per cent. The fund is to be used whenever the liquidator of a failed bank is unable to redeem note issues in full after a lapse of sixty days. Notes of insolvent banks are to bear six per cent interest from the date of suspension until the liquidator announces his ability to redeem. Banks are also required to make arrangements for the redemption at par of their notes in the chief commercial cities in each of the provinces of the Dominion. The change in 1880 was caused by the failure of a small bank with a circulation of about one hundred and twenty-five thousand dollars, paying all creditors, note-holders included, only fifty-seven and one-half per cent. The change in the act now in force was due to the demand for a currency which would pass over the entire Dominion without discount under any circumstances. The history of banking in Canada since confederation shows no instance in which a depletion of such a guarantee fund would have occurred. Fines from one thousand to one hundred thousand dollars may be imposed for the over-issue of notes. The pledging of notes as security for a debt, or the fraudulent issue of notes in any shape, renders all parties participating liable to fine and imprisonment. As the crown prerogative to payment in priority to other creditors had been set up on behalf of both Dominion and provincial governments, the act places the claims of the Dominion second to the note issues, and those of the provinces third. Notes of a lesser denomination than five dollars may not be issued, and all notes must be multiples of five dollars. Notes smaller than five dollars are issued by the Dominion Government.

The distinctive features, therefore, of our bank-note issues are –

(*a*) They are not secured by the pledge or special deposit with the Government of bonds or other securities, but are simply credit instruments based upon the general assets of the bank issuing them.

(*b*) But in order that they may be not less secure than notes issued against bonds deposited with the Government, they are made a first charge upon the assets.

(*c*) To avoid discount for geographical reasons each bank is obliged to arrange for the redemption of its notes in the commercial centers throughout the Dominion.

(*d*) And, finally, to avoid discount at the moment of the suspension of a bank, either because of delay in payment of note issues by the liquidator or of doubt as to ultimate payment, each bank is obliged to keep in the hands of the Government a deposit equal to five per cent on its average circulation, the average being taken from the maximum circulation of each bank in each month of the year. This is called the Bank Circulation Redemption Fund, and should any liquidator fail to redeem the note of a failed bank, recourse may be had to the entire fund if necessary. As a matter of fact, liquidators almost invariably are able to redeem the note issues as they are presented, but in order that all solvent banks may accept without loss the notes of an insolvent bank, these notes bear six per cent interest from the date of suspension to the date of the liquidator's announcement that he is ready to redeem.

I have already stated, in attempting to outline what is necessary in a banking system in order that it may answer the requirements of a rapidly growing country, that "it should create a currency free from doubt as to value, readily convertible into specie, and answering in volume to the requirements of trade." In an admirable paper on "The Note Circulation" read in December, 1889, before the Institute of Bankers, in London, England, by Mr. Inglis Palgrave, only two requisites in a note circulation are directly stated as essential: "First, that it should be completely secured. Second, that it should be readily convertible into metallic money." But the discussion which follows bears directly upon a third requisite, that it should answer in volume to the fluctuating requirements of trade, in a word that

it should be elastic. This last is a much less important point, however, in England than in North America.

In discussing bank issues I will reverse the order in which the three requirements are placed in Mr. Palgrave's paper and the ensuing discussion, and take up the question of elasticity first. I shall not attempt to discuss the many and conflicting views held regarding paper money, its use and abuse, and whether there is any scientific basis for its issue; but I shall endeavor to show to what extent it seems possible for note issues in North America to have a scientific basis with regard to elasticity. In Canada, as in the United States, the resulting difference in business transactions, after checks and all other modern instruments of credit have been used, is almost entirely paid in paper money. It is therefore of the greatest importance that the amount of this paper money existing at any one time shall be as nearly as possible just sufficient for the purpose; that is, that there shall be a power to issue such money when it is required, and also a power which forces it back for redemption when it is not required.

I may therefore, I think, safely lay it down as a principle that: (1) There should be as complete a relation as possible between the currency requirements of trade and whatever are the causes which bring about the issue of paper money; (2) and, as it is quite as necessary that no over-issue should be possible as that the supply of currency should be adequate, there should be a similar relation between the requirements of trade and the causes which *force notes back* for redemption.

Now, certainly, one of the *causes* of the issue of bank notes is the profit to be derived therefrom, and it is clear that an amount sufficient for the needs of trade will not be issued unless it is profitable to issue. Likewise it is clear that it should not be possible to keep notes out for the sake of the profit if they are not needed.

In Canada, bank notes, as we have seen, are secured by a first lien upon the entire assets of the bank, including the

double liability, the security being general and not special —not by the deposit of Government bonds, for instance. Therefore it is clear that it will always pay Canadian banks to issue currency when trade demands it. Because bank notes in Canada are issued against the general estate of the bank, they are subject to daily *actual* redemption; and no bank dares to issue notes without reference to its power to redeem, any more than a solvent merchant dares to give promissory notes without reference to his ability to pay. The presentation for actual redemption of every note not required for purposes of trade is assured by the fact that every bank seeks by the activity of its own business to keep out its own notes, and therefore sends back daily for redemption the notes of all other banks. This great feature is our system as compared with the national banking system is generally overlooked, but it is because of this daily actual redemption that we have never had any serious inflation of our currency, if indeed there has ever been any inflation at all. Trade, of course, becomes inflated, and the currency will follow trade, but that is a very different thing from the existence in a country of a great volume of paper money not required by trade. I will not discuss at length this quality of elasticity in our system, because it is generally admitted; but some critic may endeavor to show that a similar quality might be given to a currency secured by Government bonds, and I desire to make it clear that such elasticity as is required in North America is impossible with a currency secured by Government bonds. In the older countries of the world it may be sufficient if the volume of currency rises and falls with the general course of trade over a series of years, and without reference to the fluctuations within the twelve months of the year. In North America it is not enough that the volume of currency should rise and fall from year to year. In Canada we find that between the low average of the circulation during about eight months of each year and the maximum attained at the busiest period of the autumn and winter, there is a dif-

ference of twenty per cent, the movement upward in the autumn and downward in the spring being so sudden that without the power in the banks to issue, in the autumn serious stringency must result, and without the force which brings about redemption in the spring there must be plethora. As a matter of fact it works automatically, and there is always enough and never too much.

If our currency were secured by Government bonds the volume in existence at any one time would be determined by the profit to be gained by the issue of such bond-secured currency. It would, therefore, be necessary to fix a maximum beyond which no currency could be issued; but as such an arbitrary limit would be mere legislative guesswork, it would be productive of the evils incident to all efforts to curb natural laws by legislation. As we all know, when the national bank charters were offered by the Federal Government to the State banks, the bonds of the United States bore five to six per cent interest, and the business of issuing currency against such bonds was so profitable that a maximum such as I have referred to was fixed, with an elaborate provision stating how the banking charters were to be distributed as to area, in order that each State or section of country might have a fair share. This was followed by several adjustments, the last limit being $354,000,000, no one being satisfied with the interference with free banking, and the cry of monopoly being frequently heard. Subsequently the maximum was abandoned; indeed the business of issuing notes against Government bonds had become unprofitable and there was no longer any fear of inflation.

The condition in the United States under which the issue of currency was unduly profitable, and the fear of inflation was present, did not actually last many years, but it lasted long enough to create in the people a hatred of banks which does not seem yet to have quite passed away. The condition which followed showed, it seems to me, conclusively the unsoundness of the system in the matter of providing

an elastic currency, a currency *at all times* adequate in volume. The currency wants of the country increased with the great increase in population, but the volume of national bank currency decreased because by the repayment of the national debt and the improvement in the national credit the bonds which remained outstanding yielded so low a rate of interest as to make the issue of national bank notes unprofitable. The Comptroller's statement shows that the volume of circulation secured by United States bonds, which ranged from 1866 to about 1880 at from about $300,000,000 to $350,000,000, has declined until the amount subject to redemption by the banks is now only about $130,000,000. The moral of this is plain. If the Government bond yields such a low rate of interest as to make it unprofitable to issue currency, banks will not provide sufficient currency for the wants of the country. I need not remind an American audience that it was this unfortunate contraction which to a great degree made it possible for the Bland Act silver issues, from 1878 to 1890, to create so little financial disturbance.

I hope I have made it clear that if the business of issuing currency against Government bonds were profitable, too much currency would be the result; and if it were unprofitable, too little would be issued. We would require to have a condition of things under which the profit of issuing notes would at all times bear an exact relation to the amount of currency required by the country, the profit therefore changing not only as the currency rises and falls over a series of years, but at the time of the sharp fluctuations within each year, already referred to. No such relation, however, could very well exist with an issue based upon Government bonds.

The next quality in a currency to be considered is, "That it should be readily convertible into metallic money." I do not propose to discuss this at length. As I have pointed out, our safety lies in the actual daily redemption which arises out of our circulation being generally instead of

specially secured. This is the best possible safeguard against suspension of specie payments. The United States national banking system was created during a suspension of specie payments, and doubtless would never have been heard of but for that fact.

My last point is that placed first by Mr. Palgrave in his discussion with the English bankers, "That the currency should be completely secured." I do not know whether we are to understand also that a note must pass throughout the entire country without discount for any reason, but I include that in the point to be discussed. Now I contend that it is better, for the reasons given, that bank issues should be based for security on the general assets of the bank, with a prior lien to other creditors; and also that, taking the world as a whole, such notes will be actually safer because the effect of a system of notes secured by Government bonds — a loan forced by the Government, practically — must sometimes be to produce national bankruptcy, as in the case of the Argentine Republic. Still, I cheerfully admit that the United States national banking system has taught us that a currency issued by banks may be made to pass over the entire area of a great nation without discount. This is a great quality in currency. To the ordinary individual, who knows and cares little about banking except as it affects the bank note he happens to carry in his pocket, it appears to be the one quality necessary.

In Canada, experience has shown that as long as the notes are a prior lien on the assets of the bank, including the double liability, ultimate loss is scarcely possible — has not, at all events, occurred as yet. To secure a circulation — at the close of December, 1892, of $36,194,023 — the banks had assets of $305,730,910, to which the double liability of $63,169,643 is to be added, making a total of $368,900,553, or $10.19 of assets against every dollar of currency. It has been pointed out, however, that the assets are not thus aggregated against the circulation, and that all banks are not as secure as these figures seem to show; but the secu-

rity in this respect, in regard to each bank, varies little from the general average, the lowest percentage being 6.18 as against the general average of 10.19. The lowest percentage applies to but two or three small banks, none others falling below about eight dollars for every dollar of circulation. To this we have added the five per cent guarantee fund applicable in its entirety to meet the notes of any individual bank.

THE BORROWER AND THE BRANCH SYSTEM.

In discussing the banking systems in older countries the borrower is not often considered. Men must borrow where and how they can, and pay as much or as little for the money as circumstances require. I believe too strongly in the necessity for an absolute performance of engagements to think that it is a requirement in any banking system that it shall make the path of the debtor easy. Every banker should discourage debt, and keep before the borrower the fact that he who borrows must pay or go to the wall. But in America the debtor class is apt to make itself heard, and I wish to show what our branch system does for the worthy borrower as compared with the United States national banking system.

In a country where the money accumulated each year by the people's savings does not exceed the money required for new business ventures, it is plain that the system of banking which most completely gathers up these savings and places them at the disposal of the borrowers is the best. It is to be remembered that this involves the savings of one slow-going community being applied to another community where the enterprise is out of proportion to the money at command in that locality. Now in Canada, with banks, some with forty or fifty branches, we see the deposits of the saving communities applied directly to the country's new enterprises in a manner nearly perfect. The Bank of Montreal borrows money from depositors at Halifax and

many points in the maritime provinces, where the savings largely exceed the new enterprises, and it lends money in Vancouver or in the Northwest, where the new enterprises far exceed the people's savings. My own bank in the same manner gathers deposits in the quiet, unenterprising parts of Ontario, and lends the money in the enterprising localities, the whole result being that forty or fifty business centers, in no case having an exact equilibrium of deposits and loans, are able to balance the excess or deficiency of capital, economizing every dollar, the depositor obtaining a fair rate of interest, and the borrower obtaining money at a lower rate than borrowers in any of the colonies of Great Britain, and a lower rate than in the United States, except in the very great cities in the East. So perfectly is this distribution of capital made that, as between the highest-class borrower in Montreal or Toronto and the ordinary merchant in the Northwest, the difference in interest paid is not more than one to two per cent.

In the United States, as we know, banks have no branches. There are banks in New York and the East seeking investment for their money, and refusing to allow any interest because there are not sufficient borrowers to take up their deposits; and there are banks in the West and South which can not begin to supply their borrowing customers, because they have only the money of the immediate locality at their command, and have no direct access to the money in the East, which is so eagerly seeking investment. To avoid a difficulty which would otherwise be unbearable the western and southern banks sometimes rediscount their customers' notes with banks in the East, while many of their customers, not being able to rely on them for assistance, are forced to float paper through eastern note-brokers. But, of course, the western and southern banks wanting money, and the eastern banks having it, can not come together by chance, and there is no machinery for bringing them together. So it follows that a Boston bank may be anxiously looking for investments at four or five per cent, while in some rich

western State ten, and even twelve, per cent is being paid. These are extreme cases, but I have quoted an extreme case in Canada, where the capital marches automatically across the continent to find the borrower, and the extra interest obtained scarcely pays the loss of time it would take to send it so far, were the machinery not so perfect.

As I have indicated, it should be the object of every country to economize credit, to economize the money of the country so that every borrower with adequate security can be reached by some one able to lend, and the machinery for doing this has always been recognized in our banks. That is surely not a perfect system of banking under which the surplus money in every unenterprising community has a tendency to stay there, while the surplus money required by an enterprising community has to be sought at a distance. But if by paying a higher rate of interest, and seeking diligently, it could always be found, the position would not be so bad. The fact is that when it is most wanted distrust is at its height, and the cautious eastern banker buttons up his pocket. When there is no inducement to avert trouble to a community by supplying its wants in time of financial stress, there is no inclination to do so. The individual banks, East or West, are not apt to have a very large sense of responsibility for the welfare of the country as a whole, or for any considerable portion of it. But the banks in Canada, with thirty, forty, or fifty branches, with interests which it is no exaggeration to describe as national, can not be idle or indifferent in time of trouble, can not turn a deaf ear to the legitimate wants of the farmer in the prairie provinces, any more than to the wealthy merchant or manufacturer in the East. Their business is to gather up the wealth of a nation, not a town or city, and to supply the borrowing wants of a nation.

There was a time in Canada, about twenty years ago, when some people thought that in every town a bank, no matter how small, provided it had no branches, and had its owners resident in the neighborhood, was a greater help to

the town than the branch of a large and powerful bank. In those days, perhaps, the great banks were too autocratic, had not been taught by competition to respect fully the wants of each community. If this feeling ever existed to any extent, it has passed away. We are, in fact, in danger of the results of over-competition. I do not know any country in the world so well supplied with banking facilities as Canada. The branch system not only enables every town of about one thousand people to have a joint-stock bank, but to have a bank with a power behind it generally twenty to fifty times greater than such a bank as is found in towns of similar size in the United States would have.

But one of the main features of the branch system is connected intimately with our power to issue notes based upon the general assets of the bank. When the statement of a large Canadian bank is examined by an American banker, the comparatively small amount of actual cash must be noticeable. He will notice that the bank is careful to have large assets in the United States which may be taken back to Canada in times of financial strain there, and large assets in convertible shape at home, but having regard to actual cash as the machinery for carrying on the business at the counter, how can a bank with forty or fifty branches get along with so little cash? The simple answer is that the tills of our branches are filled with notes which are not money until they are issued, and which, therefore, save just that much idle capital and just that much loss of interest.

THE DEPOSITOR.

The legal position of the depositor is about the same in both countries. The note-holder's claim is preferred to his. We must not, however, expect that any government will relieve a depositor from the necessity of using discretion as to where he places his money. Governments never have done and never can do that. Men must look around, and after measuring the security offered, judge where they

that it is inconsistent with sound banking to pay interest on deposits. On the other hand, bankers in Great Britain and in Canada would say that any system of banking which will not afford interest on *certain classes* of deposits is unsound. I must hold with this latter opinion. It is entirely a question of the character of the deposit. Well-managed Canadian banks do not give interest on active current accounts; but all Canadian banks issue interest-bearing receipts, and, as you will have gathered, all, or almost all, have savings departments. These deposits, great or small, are in the nature of investments by the depositor, and are not like the temporary balances of a merchant. They are entitled to interest. It is of vital importance to every nation that its people should have the saving habit. It is also of vital importance that all the money disbursed for labor, or to the farmer or otherwise, should find its way back as early as possible into the channels of commerce. Will it find its way back unless interest is offered for it? It will be said that the ordinary savings bank is the proper organization to take care of such deposits. So far as the very large cities are concerned this may be quite true. The mercantile banks of Chicago would not like to have been the creditors of the excited savings bank depositors who clamored for their deposits a few weeks ago. But is the ordinary savings bank an effective instrument for collecting the miscellaneous savings of the smaller communities? I think not. Be this as it may, we by our branch system, with the savings department added, provide in small towns, where the ordinary savings bank is impossible, a secure place of deposit, and the quite large deposits of our leading banks are certainly the accumulation of tens of thousands of such depositors.

Banks are required once a year to make a return to the Government, which is published as a blue-book, of all unclaimed dividends, deposits, or other balances of five years' standing.

BANK INSPECTION.

We have in Canada no public bank examiner as in the United States, nor are our annual statements audited as in Australia. When the audit system was proposed, we resisted, because we felt that it pretended to protect the shareholders and creditors, but did not really do so, and if the audit did not really protect, it seemed better that shareholders and creditors should not be lulled by imaginary safeguards, but be kept alert by the constant exercise of their own judgment. So far as we have ever discussed with the Government the question of public bank examiners, apart of course from denying the necessity for anything of the kind, we have confined our arguments to pointing out the impracticability when banks have many branches. This may in the minds of some constitute an argument against branch banking. I simply state the facts. But we say that, while it may be very well — if it really does lessen bank failures — to have public examiners for the protection of the people, it is much more necessary with branch banking to have bank examiners, or, as we call them, inspectors, on behalf of the executive of the bank; and I am aware that the practice is growing in the United States, where everything is under one roof. When it comes to the quality of the work done by our inspectors, I would not admit that anything could well be better. In my own bank it takes a staff of five trained men an entire year to make the round of all the branches. Some of these officers devote themselves to the routine of the branches, verifying all cash, securities, bills, accounts, etc., testing the compliance of officers with every regulation of the bank, reporting on the skill and character of officers, etc., while the chiefs devote themselves to the higher matters, such as the quality of the bills under discount, loans against securities, indeed the quality and value of *every* asset found at the branch. They also deal with the growth and profitableness of the branch, its prospects, etc. Now all these matters have already

passed the judgment of the branch manager, and the more important have been referred to and approved by the executive, so that it may be said that three different judgments are passed upon the business of the branch. But it will be said that the chief inspector may be under the sway of the executive and his reports a mere echo of the opinion of the latter. This is quite true — the reports may be dishonest. We do not tell the public that the inspector is specially employed for its protection. He, like the general manager, is merely a part of the bank's machinery for conducting business, and the public is left to judge of the bank by its chief officers, its record in the past, its *entourage*.

Our banks make a very full return to the Government at the close of each month. These are published during the month, and are keenly discussed by the public. The deputy minister of finance has the power to call for statements of any character at any time. In the larger banks the officers insure their fidelity by funds established within the bank. Many of the banks also have funds for the superannuation of their officers.

RESERVES.

If my paper were not already too lengthy I would like to have discussed the question of reserves. You will not perhaps be astonished to learn that we hold with the majority of the banking world outside of the United States against fixed reserves. With us no reserves are actually required by law. The cash reserve in gold and legal tenders has averaged for some years about ten per cent, but you will remember that our till money is almost entirely supplied by the bank-note circulation. The smaller banks keep their available resources in securities, call loans at home and balances with their bankers in Montreal and New York. The large banks, as you know, in addition to their securities and call loans in Canada, lend largely on easily liquidated securities in the United States.

The change-making notes, those of denominations less than five dollars, are issued by the Dominion Government. The settlements at the clearing houses are made in legal tenders, notes of large denominations being issued by the Government for the purpose. Forty per cent of whatever cash reserve a bank may keep must be in Dominion legal tenders, a provision entirely in the interest of the Government, and so unworthy of our otherwise creditable system that we must hope our Government will some day relieve us of such an unscientific arrangement.

THE ESSENTIAL ELEMENTS OF A MONETARY SYSTEM.

By Judge R. M. Widney, Los Angeles, Cal.

THE essential elements of a monetary system, as conceded by text-books and writers, are money volume, safety, elasticity, convertibility, uniformity, and circulation; but the essential principle underlying all of these is that the monetary system must not omit any one of them, and must have each as nearly perfect as possible. It is useless to discuss which wheel of a watch is essential, for if you omit any one it don't go, and if you have an imperfect wheel the watch is practically worthless. Assuming the above elements to be essential, I shall more particularly discuss the essential factors of these elements and show how they may be combined to produce the best system. It must be borne in mind that our population is increasing, our commerce is expanding, our industries are growing, and the vision of the future is more brilliant than the facts of the present. The future can no more be attained, or maintained, on present facts and conditions than the present growth could be attained, or maintained, on the facts of the colonial days. We have outgrown the furnishings of the past, and the future can not be provided for by our present worn-out financial garments and appliances.

Writers generally concede that money as a mechanism of exchange is one of the absolutely essential factors of civilization. It is no exception to the foregoing truths, and the present and future volume and methods of circulation can not be adequately met by, and must not be limited to, past methods and supplies. "Either our volume of money must be increased to meet the wants of our growing country,

or the business of the country must be periodically killed off until it is within the compass of our circulation." Therefore there opens up before us, there is presented to us, and there is forced upon us, and not only upon us but upon each nation, the proper solution of the financial question for the present and future users of money. The essential elements of a monetary system must be ascertained. The various systems must be analyzed, and from the analysis we must eliminate the non-essentials, and from the essentials there must be constructed a system for international and domestic use that will be free from unnecessary friction or dislocation. It should possess as many reciprocating and automatic adjustments as the uses of the age demand. In fact it should stand in finances as electrical perfection stands to-day among the sciences.

The use for money is domestic and international. A government is a joint contract entered into by the people for their mutual benefit, and the laws enacted are simply the legal evidence of the terms and conditions of the contract. Hence each nation can create and control its domestic money relations, and can also dictate what it will accept as money from other nations. But there is no international money agreement or compact between nations as to what shall be used as money. Hence no nation can force other nations to accept any particular article as money. In fact payment in each nation can only be forced by using the legal-tender money of that particular nation.

The inconvenience of having no legal international money has led the merchants of the different nations to adopt, by common consent, gold and silver bullion as the articles for the settlement of international accounts; but if the creditor should refuse to accept either the gold or silver bullion, the debtor would have to sell it at its commercial value for legal-tender money of the creditor nation and pay him with that legal-tender. If, therefore, in considering the essential elements of a monetary system we shall bear in mind that we have no power over the inter-

national money system, and that our work must be limited to the domestic system, it will materially aid in clearly understanding what is essential and what is not essential.

INTERNATIONAL CLEARING HOUSE.

Before, however, dismissing the international questions I would suggest that great commercial benefits would arise from the establishment of an international clearing house, thus avoiding all handling and risk of transshipment except of final balances. This could be readily accomplished by each nation designating its treasury or any other place, on the responsibility of that nation, as the place of deposit for balances. Owing to the large amount of these balances merchants would not feel safe with less than a national responsibility for the money. The banks in each nation having international accounts of debit or credit could clear in their local clearing houses, and deposit in the national treasury gold for the balance. These national treasuries would in like manner clear, and the final balance could be shipped to the creditor treasury for payment to local banks to which it belonged, or the balances could be held subject to the order of the creditor treasury for future balances or for future shipment on demand. Such a system would make the volume of money in the world much more efficient, and would eventually lead to an international money system for the common good.

In the appendix to this address is a suggested form of a bill for Congress including this subject, vesting in the Secretary of the Treasury, with the approval of the President, the power to establish, in co-operation with other nations, such a clearing-house system. It should receive such amendments and changes as will add to its efficiency and safety. [See proposed bill, Sec. 5.] While the international system of clearing will give great relief in finances from the present crude and cumbersome method, it will not solve the question as to what shall be used as domestic money,

nor how it shall be issued, or circulated, or what the volume shall be. As the citizens of each nation will have to settle this as their local interests require, I shall confine my further remarks on the subject to the financial needs of this nation, leaving the representatives of other nations to discuss the efficiency of their local finances.

IN THE UNITED STATES OF AMERICA.

It will probably be conceded without argument that business demands the best money and the best system for readily placing money at the point of use. The closest approximation to these will give us the essential elements of a monetary system. Money is that which will at all times and under all circumstances perform the functions of money. In fact, that which will not so perform every money function is not money. The current definitions of money are open to objections as either including non-essential elements or excluding that which is essential. I offer the following as a definition that is correct in law and in fact: "Money is that article in a nation with which a debtor can extinguish his debt without the consent of the creditor at a fixed unit of value." In other words, it must be a legal tender by the supreme law of the land in the extinguishment of debts within the jurisdiction of the law. Anything not possessing the legal-tender element above is only an article of merchandise. Hence gold or silver, copper or nickel, however fine, whatever their form or device, without the statuary *fiat* are not money and are articles of commerce alone. And gold or silver, having the nation's legislative fiat stamped upon them, cease to be money as soon as they pass out of the jurisdiction of the laws, or when the Government becomes unable to enforce its fiat. The gold or silver coins of England, Germany, or France, or of the United States are not money in a foreign nation, but are only received as bullion, at its commercial value, and even then can only pass by consent of the one receiving it. This

definition of money not only excludes gold and silver bullion, but also all checks, drafts, clearing-house certificates, State bank notes, or any other order for legal-tender money. In fact, they are only legal contracts or obligations for the payment of legal-tender money, and the one signing them in final settlement must obtain "legal-tender money" with which to extinguish the contract. Private individuals, corporations, or States can not issue money. They can only contract to pay money. Only the concurrent agreement of our sixty-six million people expressed in an act of Congress makes an article money for domestic use. The statutory words, "This shall be a legal tender in satisfaction of all obligations for the payment of money within the jurisdiction of the United States," and impressed on gold, silver, copper, nickel, or paper, invests them with full money functions and constitutes them money. It therefore appears that this money function is purely a creation of statutory enactment, and with it an article is money, without it the article is not money. Silver was demonetized. What does that mean? Why, that the money function given by statutory enactment was removed from silver and it ceased to be money. Therefore, we conclude that the essential element of money is its power to extinguish a debt at the will of the debtor, without the consent of the creditor, at a fixed unit of value.

For the purposes of this address the financial transactions of the world may be divided into two classes, in one of which the transactions may be satisfactorily consummated without the use of money; the other can only be closed up by the use of that which is legal-tender money. In the first are embraced all cases where checks, drafts, clearing-house certificates, and other non-legal-tender orders for money are accepted by the creditor, he taking his chances on finally getting legal-tender money. This class represents about eighty-five per cent of business transactions with safety and financial ease. When it reaches ninety per cent there is a perceptible inconvenience and tightness in the

money market, many finding accommodations difficult; the financial reports stating that "the demand for money is quite brisk and ruling at higher rates of interest," and that selling on the stock market is active with the bear influence predominating. As the percentage of credit transactions advances beyond ninety per cent the danger rapidly increases, with more failures and general evidences of distress, and terminates in a crisis and a panic at ninety-five per cent. As money is not required in the above transactions they may be dismissed from the discussion of the subject. It is the remaining percentage of business, the final liquidation of all the credits, that requires and can only be closed up by the use of legal-tender money. Internationally the people by common consent use gold to settle the final credit obligations. By a like common consent, expressed in the form of an act of Congress, the people of the United States use gold, silver, copper, nickel, and paper legal tender to settle the final credits between individuals, leaving really in its place a general credit obligation from the sixty-six millions of people to the individual creditor. Gold has a commercial value based upon its supposed cost of production representing say twenty-three and twenty-two one-hundredths grains of fine gold for a dollar in labor. When that weight of gold is impressed with the money fiat of the nation, it is supposed to be the best money, for the reason that if the fiat of the nation should fail the owner would still have the commercial value left. It is therefore said to possess intrinsic value; but in fact there is very little intrinsic value, for no one receives it except upon the belief that he can get rid of it in exchange for other things. No one would accept it if he were forced to finally keep it. It is properly denominated a mechanism of exchange. Any other article accepted by common agreement for the purpose is equally valuable as money for domestic use. However, so long as the merchants of the different nations regard gold as having an intrinsic value, so long will they accept it as a money of final payment, at its commercial value as an article of final payment of debts.

NOT ENOUGH GOLD.

So long as the people in the world desire to accept gold as an article of commercial value in payment of final balances, they will continue to do so. Therefore, if there was enough to meet the business wants of the growing civilization of the world, no question would arise as to the kind of money. But the total volume of gold coin and bullion in the world is only $3,984,256,589, a per capita of three dollars and twenty-two cents for the world's population. This does not equal the present money volume of the United States and France.

The average annual production of gold for the eight years 1881 to 1889 was $108,376,258, or eight cents per capita. The annual consumption of gold in the industrial arts is about $64,000,000, a per capita of five cents. This leaves an annual increase for money purposes of only three cents per capita. It will be conceded at once that these small sums of stock and increase never can either supply or keep pace with the growing business of the world.

In the United States the supply May 1, 1893, was as follows:

Gold coin and bullion	$613,042,879	per capita	of	$9.00
Annual product	32,976,000	"	"	.50
Used in the arts	16,679,000	"	"	.25
Balance for money use	16,279,000	"	"	.25

Yet the United States is using a money volume of about twenty-four dollars per capita, of which gold is only nine dollars per capita, and her closing banks, her failing merchants, and crashing industries cry aloud for a greater volume.

The present struggle for gold among the different nations demonstrates that there is not enough of it to do the money work of the world, both domestic and international. If freed from domestic money use the gold of the world would about satisfy the international demand, until such time as the nations by a common law shall adopt some

additional and other money. Therefore necessity forces each nation to use other material for money in order to give a sufficient volume for its domestic use.

HOW ABOUT THE USE OF SILVER.

The statistics show that it is not of sufficient volume even if all the nations were to adopt it for money use. Its volume in the world is:

Coin and bullion	$4,512,754,655	per	capita	$3.65
Annual product	121,389,242	"	"	.09
Industrial uses	21,660,000	"	"	.02
Annual increase for money	99,729,240	"	"	.07

Combined with the former statistics for gold the two represent $144,005,506, or ten cents per capita, as the annual increase.

In the United States the silver volume of coin and bullion is:

Stock	$687,614,551	per	capita	$10.00
Annual product	64,768,730	"	"	.97
Industrial uses	8,767,000	"	"	.85
Annual increase for money	$56,001,730			

But it must be borne in mind that nearly the total stock of silver in the United States is in money use either as coin or as certificates issued for the silver bullion; these certificates aggregating May 1, 1893, $326,806,504.

The total stock of gold and silver coin and bullion as recently held by the leading six commercial nations was as follows:

England	$ 650,000,000	per	capita	$18.00
France	1,600,000,000	"	"	43.00
Germany	645,000,000	"	"	14.00
Russia	200,000,000	"	"	12.50
Italy	200,000,000	"	"	6.00
United States	1,300,657,430	"	"	20.00

This leaves about two dollars per capita for the use of the other nations and peoples. Never before in the history of

the world has the human race so generally advanced to commercial and civilized growth. Everywhere the uncivilized and unsettled continents and regions are being opened up and developed, and as this occurs they draw coin money from the older nations. The new civilizations can not issue a credit money, for they have not yet an established community credit. They are therefore forced to use gold and silver as money. This causes gold and silver to flow to such new communities from the older nations, and will continue to deplete their stock until more of an equal distribution is reached. But silver labors under another disadvantage. Explain it as you may, the fact still remains that silver is not received largely as an article of final settlement of debts. Its commercial value is such that to overcome the objection of bulkiness it is necessary for a nation to add a heavy per cent of its credit to the commercial value to equalize a convenient weight, four hundred and twelve and one-half grains to twenty-three and twenty-two one-hundredths grains of gold.

FREE COINAGE.

It is urged that free coinage will give us more money of final payment. The power of ultimate or final payment of debt must be a commercial value equal to the debt. Gold as a final payment is based on its bullion or commercial value and nothing else. Gold coin of the United States when used for final payment out of our jurisdiction as a nation is used only as bullion by weight. The same is true when foreign gold coins are used in the United States. In each case the money power of the coins, which is only the fiat or credit of the nation, ceases to exist at the boundary-line of the nation coining it, and the commercial value as fixed by the demands of commerce alone enters into the final payment. No act of Congress or of any government has power outside of the jurisdiction of the nation; therefore when gold or silver coin crosses the high seas it goes as bullion at its commercial value alone. According to the laws of nature

gold, silver, pennies, nickels, or Chinese brass tokens as articles of final payment between nations must each alike lay aside its garment as money, and enter the scales of commerce as naked metal to be weighed in the balance, at the international commercial value. Should this nation put its fiat of free coinage on silver, sixteen to one, it will only add the credit of this nation of sixty-six millions of people to the bullion value, and this credit value will not extend beyond our jurisdiction. When it goes abroad as a money of final payment, the nation's fiat dies at the nation's boundary-line and it goes as bullion at the market price. This is true whether the money is gold, silver, copper, nickel, brass, or iron.

What can free coinage do at sixteen to one? It is composed of two things, the bullion value of the silver added to the credit value of sixty-six millions of people. The sixty-six millions own their credit in fee simple absolute. It is their property at its commercial value as certainly and as righteously as the silver is the property of the silver owners at its commercial value. Each thus under the law of nature, being the owner of separate properties, neither one has the right to rob the other. The sixty-six millions of people have no right to appropriate or confiscate by act of Congress the commercial value of the silver from the silver owners; neither have the silver owners any right by act of Congress to appropriate or confiscate the credit or fiat value of the sixty-six millions.

The commercial value of the silver output of the United States is about $47,288,207 annually. The credit or fiat value of the sixty-six millions of people which free coinage will confiscate is $24,734,558 annually. The fight of the free coinage interests is to appropriate or confiscate this credit of sixty-six millions of people, worth $24,734,558 per year and worth forty-five cents on every ounce of silver, by an act of Congress, and add it to the commercial bullion value of silver and make the silver owners possessors of both. When and

where in the history of the race has such a transaction received the approbation of study, reason, and justice?

But the free coinage men claim that in return they give an increased volume of money to the masses, and that this increased volume of money increases the value of wages and property. The fallacy of such an argument is in assuming that free coinage is the only way to increase the volume of money. I agree that we must have an increased volume of money and that such an increase of money is in the direct interest of the masses; but the increased volume does not depend on free coinage of silver even if all the silver should be so used. But if the sixty-six millions of people buy the silver output at its commercial value, $47,288,207, and then coin it into legal-tender dollars or issue legal-tender certificates to the same amount, then the volume of money would be the same as under free coinage, and the sixty-six millions of people would save the credit value of $24,734,558, annually. If the people are to be benefited, why not begin the benefit by saving them this credit value of $24,734,558 annually which inures to the benefit of the people; but if this credit of $24,734,558 is to be donated annually to a class many of whom are foreigners, let a proper committee be appointed to see what class shall be most worthy to receive this royal pension. Better donate it annually to the farmers and producers until their farm mortgages are paid off, or pay it to the laboring classes with which to buy homes for their tenant families, or let the nation spend it among the laboring classes on public works; on our rivers, our highways, our navies, our coast defenses, our public buildings, and our public educational and other institutions. Let us use it in making the poor less poor, and not in making the rich silver owners richer. We may not blame them for struggling for it, but we are to blame if we give it to them.

No free coinage bill is offered or asked for by the silver interest. The bill passed in the last Senate provided that the owners of silver could deposit their silver in the United States Mint and take out paper money, at the value of one

dollar and twenty-nine cents per ounce instead of eighty-three cents per ounce, the certificates redeemable in gold or silver coin. During the year past, under the present law, $49,961,184 was paid in certificates for silver, and there were surrendered of these during the same time $47,745,173 for gold coin at the United States Treasury. Under the so-called free coinage bill the United States Treasury would have paid out $76,756,817 instead of $49,961,184 for the same silver. This would be a bonus of $29,795,633 to the silver owners in the last six months paid by the dear people.

THE TRUE SOLUTION, OUR CREDIT.

The true solution of our "more money for the benefit of the people" question is, and will finally be found to be, a proper use of the credit power of the sixty-six millions of people of these United States. This credit is as good as gold in any State in the Union, or at any bank counter, or at any sheriff's office or tax collector's office, or at any counter, or transportation office. It is as good as gold in any foreign nation. Our credit bonds, which are the naked promise of the sixty-six millions of people to pay, are as good as gold, for the owners of gold in Europe and America are ready at any moment to exchange gold for bonds. Nay, wonder of wonders, with all their talk about the "great gold" they will pay a premium for our bonds. Will pay one hundred and seventeen dollars in gold for a one hundred dollar United States bond, unsecured, payable with a low rate of interest fifty years in the future.

Think of it! Of this wonderful credit. Gold financiers, cautious, nervous, far-seeing gold financiers, actually willing to take this chance for fifty years in the future on the credit of this nation. Take United States bonds without collateral security on the naked promise of the Government to pay. Investing hundreds of millions of gold on the fiat promise to pay fifty years hence. In fact, millionaires, it is rumored, are forming combined corners to force the United States to

issue its fiat bonds, or promises to pay, so that they can get rid of their gold at one hundred and seventeen dollars to one hundred dollars for these bonds. *Good as gold?* Yes, better than gold, is the credit of this nation. Why? Because back of these bonds, back of the fiat, back of the promises to pay are the honest sixty-six million free, prosperous people, and every acre of land in the United States, from north to south and from east to west, with all of the cities, villages, farms, workshops, railroads, and improvements thereon, including all of our gold and all of our silver, our mines and our labor and our future produce.. No nation on earth has such a credit record. Our war bonds and greenbacks issued in war-times, payable in coin, which was honestly and financially understood to mean whichever coin was most valuable, though legally payable in whatever coin was cheapest, were paid by this nation in gold, the highest-priced metal, and would have been paid in silver if that metal had been most valuable. We as a nation kept financial faith, honor, and integrity when it was to our disadvantage and when it cost us millions of dollars, and we have established a credit among nations that is worth more millions to us than it ever cost, provided we now use that credit and do not give it away. We have paid for that credit in gold. It is now better than gold, for gold may fall in price, but our credit will not fall. Let us keep it there and say to the business world that we will pay our credit obligations in whatever metal is most valuable, the credit of the nation standing good for the commercial difference in the value of the article used for money.

Now having pictured to you in brief outline this glorious world-wide credit, as good as gold, *better than gold*, let me show you how this credit can be imbedded unchangeable in our system and used to repay ten-fold, a hundred-fold, every dollar it has cost, and how it will not only give us the volume of money we need, but will make us the banking nation of the world. It can be ruined by allowing schemers to cast a cloud upon it by creating the impression that we will

go back on our credit, and pay our debts or promises in the least valuable of two or more metals. Or it can be impaired by allowing schemers or ignorance to so inflate our credit that a doubt will exist as to our ability to pay all of our credit promises, however good our intentions may be. Protect these two points so that financiers will never entertain a doubt upon them, and our credit will continue as good or better than gold so long as the nation endures.

WHAT IS THIS CREDIT MONEY?

It is the promise of sixty-six millions of people, having an aggregate wealth of $70,000,000,000, with the power of taxation to fulfill the promise, as against the promise of a few individuals liable on a check, draft, or State bank note. It is made by common consent, in the form of law, a legal tender in satisfaction of debt among all people in the jurisdiction of this nation, and the nation will give gold to any bearer who may specially demand it; but as the legal-tender paper will perform every function of money within this nation that gold will, no citizen, for domestic use or business affairs, will care to have gold. Only those who must pay a foreign debt will desire to surrender paper legal tender and call for gold or silver. One thing is certain, that the joint promise of sixty-six millions of people on a legal-tender note is vastly more certain to be fulfilled on demand than the promise of any part of the same people on a State bank note or other promise to pay. But, says some one, if after these legal tenders are issued gold should be exported, how will the Government get gold to take up legal tenders presented for gold? Just as any man, bank, or nation would get it under the same circumstances. Buy it. There is no other way. The nation can neither make gold nor steal it; therefore it must buy it, just as it always has and always must do. Issuing interest-bearing bonds is paying a premium for gold. Why? Because if the bond bore no interest it would not buy gold, but adding interest makes

the capital invested in the bond productive, and it then becomes a premium on gold. It is just as well to buy gold with non-interest-bearing legal tenders and pay a premium as to pay with bonds and interest as a premium. The legal-tender power is the premium paid for gold. This was recently shown when the Secretary offered New York banks bonds as collateral for gold. The banks refused, because the bonds could not be used for money, but did exchange gold for legal-tender paper money. Using legal-tender paper money for domestic uses would free some $300,000,000 of gold, or more, that is now scattered all over the United States. Such a volume in our national Treasury would meet every demand.

The plan of buying gold or silver with currency and paying a premium, and at the same time keeping currency on an exchangeable par with gold, would require to be guarded by allowing the United States Treasury discretion to charge a premium on all gold or silver taken from the Treasury for export. This right is exercised by foreign nations to retain their gold at home. Our nation should do the same. Our nation should also retain the prior right at any time to buy at its market value for full legal-tender currency any of the gold or silver taken from the mines on public lands, or from such lands hereafter sold or patented. Possibly the better solution would be to stop the coinage of gold and silver and run the bullion into five hundred dollar ingots, buying and selling them for legal-tender currency at their commercial value.

BUYING GOLD AND SILVER FOR MONEY.

All gold and silver is private property. The Government does not own them. It can not appropriate or confiscate them. It must go into the market and buy. This purchase can only be made by using the national credit, that is, the joint or common credit of our sixty-six million people. The Government can not buy gold or silver with

gold or silver. It can not buy with merchandise or produce, for the Government is not a merchant or producer. It might make all or a part of the taxes payable in gold or silver coin; but this would force citizens to pay a premium, thus shifting the general burden of purchasing from the sixty-six millions of people upon a few. There is therefore no just or honest way by which the Government can buy gold or silver except to issue bonds or legal-tender paper money. In other words, the credit of the sixty-six millions of people is the only thing that can be used to buy gold or silver for money use. The premium on gold or silver in exchange for bonds or legal-tender money is either the interest on the bonds or the legal-tender function of the paper money.

WHY?

Now if the credit of the Government is as good as gold or silver for domestic money use, and can be exchanged for gold or silver by paying interest for the use of them, why should it be exchanged at all? Why pay interest to use it as a legal-tender money when we can use currency without paying interest — legal-tender money being equally good for domestic use? During our present financial disasters the banks readily exchange gold at par for legal-tender paper money, proving it to be as good as gold for domestic money use. Why not, therefore, let the nation issue this legal-tender paper money as good as gold in sufficient volume to transact the business of this nation, and free the gold from domestic use and allow it to meet the demand for international use? If a necessity arises, at occasional times, to have gold for foreign payments, it can be had as well by discounting non-interest-bearing legal tenders as by issuing interest-bearing bonds. It is much more profitable to the people to occasionally discount a non-interest-bearing legal-tender note than to issue an interest-bearing bond; for a three per cent interest-bearing bond represents an annual premium of three per cent for gold, and

if the gold is held as a reserve we continue to pay interest on the bond and are losing interest on the idle gold, whereas with non-interest-bearing legal tenders we only pay a small premium occasionally for the amount of gold or silver actually needed for that case. As a matter of fact, generally, we would not pay any premium, for the legal-tender paper will perform all the domestic money functions that the gold will. This is forcibly shown by the fact that millions of gold and silver annually go to the United States mints for which the owners prefer to take legal-tender paper money.

The enormous cost of buying gold and silver with interest-bearing bonds is shown by computing the interest for a century. A hundred million of three per cent bonds, interest payable semi-annually, counting interest on the interest as paid in and reloaned, will double every twenty-four years. The account will so stand that at the end of twenty-four years the $100,000,000 becomes $200,000,000; forty-eight years the $100,000,000 becomes $400,000,000; seventy-two years the $100,000,000 becomes $800,000,000; ninety-six years the $100,000,000 becomes $1,600,000,000. In other words, under the bond system of buying gold for money use we pay $1,600,000,000 for the use of $100,000,000 for ninety-six years, whereas by occasionally paying a small premium for gold when required the cost would be vastly less per century than the above.

In what is popularly but delusively called the free coinage of silver a premium is really paid by the people. That premium is the cost of free coinage and stamping the legal tender power on the metal. These transactions are based on the common business rule that we must pay in some form for what we get. We must exchange value for value, unless we beg or steal. The gold and silver bullion is the property of private individuals. The legal-tender function is owned by the people. Neither one should be given to the other. Each should sell it at the market value. The nation should therefore clothe its dearly bought credit

with a legal-tender money function in the form of a non-interest-bearing currency, and with this buy gold or silver when required, at its market value, as it buys lumber or other supplies, and then use it as it deems best, either for coinage, or resale for its currency notes, or for a reserve.

For domestic purposes we have no need for gold or silver, except for subsidiary coins. No one wants either for itself. People only want them because they believe that they can get rid of them in exchange for something else. Not an individual would accept gold or silver if he were forced to keep them perpetually, or if he believed that he could not exchange them readily for other things for the value at which he received them, or use them to pay a debt. Here is the bedrock trouble with silver to-day. People do not believe that they can get rid of it, or exchange it for other things, and therefore their unwillingness to receive it. If by free coinage it were forced on the people of the United States it could not be forced on the people of the foreign nations. So long as this unwillingness exists in the minds of men, it can not be used as a money mechanism of exchange by itself, but must have added to it the credit of the nation to make up any deficiency in the exchange of value. Therefore the credit of the people, as good as gold, stamped on metal or paper, backed by their promise to mutually accept it at par as a medium of exchange, is the essence of the transaction. The gold, silver, nickel, or paper is the material body on which the exchange value and power are impressed, and the common contract of the people among themselves to use it is the vital force.

THE PEOPLE'S CREDIT AS MONEY.

How can we best use this credit of the nation as money? It has been created by our having kept faith with our creditors. We received of them the highest-priced money and agreed to pay in coin. It was implied in the contract that it was to be repaid in the highest-priced money, but we

could have paid it in the cheapest coin. This temptation was publicly presented and powerfully advocated. Every argument and statistic that talent and money could produce to make the temptation succeed were produced and scattered broadcast over the land. At first like a wave the thought swept over the land that here was relief for the struggling debtor, and popular applause greeted the offer; but there came to the honest masses as second thought, was it right, was it just, was that the agreement and the equitable understanding. The farmer reasoned that when he bought a plow or farm implement that it was understood that it was to be a good article. He knew that when he sold grain or hay to be delivered that it was understood to be good. And so the American debtor reasoned out that his agreement as a nation was to pay money as good as any other money, and by act of Congress he so declared his understanding and his intention to pay in the best money, whether it was gold, silver, or paper. The temptation failed, and he said, "Get thee behind me, Satan; the kingdoms of the whole world are not worth my honor." We Americans have placed honor above life; we have freely given life on ten thousand battle-fields for honor and right; and we will not exchange honor and right for the profit of paying our debts with inferior money, but faith and honor shall be as unsullied as the starry banner that typifies the nation's honor. The integrity of this good faith and honesty is our credit capital, and we must preserve it so that it will never be questioned in the financial world.

What is the most stable, sacred, unchangeable form in which we can affirm our credit pledge that every dollar issued by this nation, whether gold, silver, or paper, shall ever be held of equal value, and that this nation will always pay its debts and obligations in the best money? The confidence of foreign capital in us has recently been shaken by the agitation to pay in inferior money, and as a result millions of American securities have been rushed in upon us. Nothing but the most sacred and abiding form of assurance

can meet the demand and restore a confidence that will be a safe foundation for the use of our credit.

BY A CONSTITUTIONAL AMENDMENT.

This is our best, let us offer nothing less. The Constitution of the United States is the highest, safest, and most permanent obligation or promise that the Americans can give. It is not only a declaration accepted by Americans, but by the nations of the earth. The stability of its declarations governs the laws and contracts of every State and every man in the States. Counting on its stability, other nations enact laws and contracts where their interests come in contact with ours. We have no higher form for a pledge of faith to give, either at home or abroad, than a constitutional pledge. The confidence of this world in our constitutional guarantees is as high and as fixed and abiding as it is in the stability of our nation. Therefore, as our financial credit rests on the stability of our promise and our ability to keep all of our money upon par with the best money, we should add one more element of confidence and place this promise and faith of the nation in a constitutional amendment, where it will abide for centuries free from political legislation or judicial disturbances, where as a chief foundation-stone it will exist, and on which will rest our financial credit, and on which will be reared a financial system that will meet the growing wants of this nation at all times. For such purposes I drafted a proposed constitutional amendment in 1890. It was introduced in both Houses of Congress in 1892, and met with the favorable consideration of many of our ablest men, both in and out of Congress. It was carefully studied by Judge Thomas R. Stockdale, M. C., chairman of the Sub-Judiciary Committee of the House of Representatives, to whom it was referred. After an exhaustive study of the subject for some ten months as a specialty, he made one of the ablest reports on the financial subject that has been presented in Congress since our

nation was formed, showing the absolute necessity of an amendment such as the one proposed. The report was filed and printed March 3, 1893, too late in the session for further action. The report should be in the hands of every American and should be studied exhaustively. Within it are embraced the financial principles that will permanently solve our financial problem.

THE PROPOSED AMENDMENT.

ARTICLE XVI. SECTION 1. A national circulating medium shall be issued to the amount of twenty dollars per capita, as shown by the census of 1890, and by each succeeding census, for the proper redemption of which, when required, the resources, the faith, and the property of the nation are pledged; for which redemption, Congress, by a two-thirds vote of each House, may provide for the collection of Government revenues and taxes in gold and silver coin.

SEC. 2. Said currency with gold and silver coin of these United States, of present weight and fineness, the gold dollar being the standard or unit of values, and such currency notes of the same form and effect as may be issued in lieu of gold and silver coin, or bullion held exclusively for exchange for currency, shall constitute the only legal-tender money of these United States, and shall be received at par in satisfaction of all obligations for the payment of money within the jurisdiction of these United States. Said gold and silver coin and currency shall be exchangeable at par value.

SEC. 3. Congress shall have power to enforce this article by appropriate legislation, but shall not have power to increase or decrease said issue; provided that after the issue of 1900 Congress may, by two-thirds vote of each House, reduce the additional issue at any census.

The volume of credit money is herein named at twenty dollars per capita in addition to gold and silver. Some think that it should be more, some less. That is a matter that would be fixed by Congress after a full consideration. The effect of this amendment is to make and forever keep our gold, silver, and paper dollars at par with each other. The faith, wealth, and credit of the nation are thus permanently pledged to pay whatever difference may exist in the bullion or commercial value of the article used for money. This is honest and just. For when this nation issues a gold, silver, or paper dollar it is put in circulation at par with the highest dollar issued, and the people receive

that value for it, and they, by this amendment, stand ready to make that value always good to the holders by exchanging any other dollar for it. Under this amendment the Government can buy such gold or silver as it deems best to hold at its commercial value, and the difference between that commercial value and the money value is for the benefit of the people, and when the nation takes up or redeems its credit obligations in gold or silver it should be by return of those metals at their commercial value at the date of exchange, and under wise rules and the discretion of the Treasury Department. This amendment will forever prevent the wild inflation of our credit money, which has been the fatal objection to the currency theories. It renders impossible the financial dangers known as the French Assignats, John Law, Mississippi, or Argentine Republic Cedula schemes. They were inflations beyond the wealth of the promisors to pay.

A credit issue of money of twenty dollars per capita represents a liability of less than two cents on the dollar of our national wealth of seventy billions of dollars secured by a constitutional amendment which is practically a constitutional mortgage, would command confidence at par value at home and abroad. This twenty dollars per capita would take up and replace all forms of outstanding currency, giving us a uniform issue with an increase of about twelve dollars per capita above our present unsecured paper money. This would be in addition to our gold and silver coin, and would also be in addition to such as may be issued for gold or silver coin or bullion held for general redemption or exchange. There would be no gold or silver certificates. All gold and silver would go into a general fund for exchange use for any of the currency. Our money would thus be of uniform legal effect, and every dollar held by any one would be of equal use and value with any other in any part of the nation. In the amendment the currency issue, in addition to the gold and silver, is named at twenty dollars per capita. This is a suggested sum, and before passage could be altered

to any better amount. My own judgment is that twenty-five or thirty dollars would be better, for the reason that the export of gold might otherwise deplete our volume and cramp our home money market. However, I believe that the currency issued under this amendment would command such confidence and be so efficient in its work that it would go abroad to some extent in place of gold, and if our volume were sufficient we would become the banking nation of the world. With our vast resources and stable form of government, and each man owning or using money having a financial interest in the stability of the Government, our currency would certainly have a maximum value and use.

Under the third section of the amendment the volume is increased every census to correspond with the increase of population. And if it were found by experience that the volume were increasing too rapidly, it is provided that Congress, by a two-thirds vote of each House, may reduce the issue for that census. Such a discretionary power must rest somewhere, and restricted as in this case it would be very safe.

AS GOOD AS GOLD.

The gold in a dollar (twenty-three and twenty-two hundredths grains) is supposed to require a dollar's worth of labor, on the average, to mine it, and therefore it is said to represent that value. A currency note, when printed and deposited in the United States Treasury, like the gold in the mine, represents no value, but when some one gives to the people, the Government, a dollar's worth of labor or material, and receives a paper dollar, thereafter it represents a dollar's worth of labor as truly as does twenty-three and twenty-two hundredths grains of gold after mining. The only difference is that the labor is put forth for the gold before it is minted into money, while the paper dollar is minted, before the labor is put forth for it. Each represents the same amount of labor.

SYSTEM OF CIRCULATION.

How shall this volume of money be put in circulation? My reply is, that it does not need to be forced into circulation. Whatever amount the business of the nation calls out will pass into circulation. Let the balance remain idle in the United States Treasury as a reserve. It costs no interest while lying idle, as it is the joint credit of the sixty-six million people. Secondly, when any one gives the Government labor or material it will take out a corresponding amount of currency. Under this branch let the Government pay for its river, harbor, and coast defenses, its naval constructions, its public buildings and improvements. This would save taxing the people millions of dollars annually, and would aid every oppressed mortgaged taxpayer to apply his part of the saved tax to pay off his mortgage. It would give employment to hundreds of thousands of now idle laborers, not only on Government works, but in all private industries that have to furnish material and machinery to the Government and to those who produce the raw material for the manufacturers, and finally gives employment to the farming element in producing food and clothing for the vast multitude of laborers above referred to. The labor problem would be largely solved by the increase in the volume of money. While this volume of money was being put in circulation by the above methods, the tax-paying citizens would have immediate relief, and all laboring classes would relieve their now critical wants by receiving employment. Of course the above expenditures would be made under the best judgment and discretion of Congress and the departments. If so done, very wise, desirable, and beneficial results would be quickly realized. You will readily trace out innumerable benefits to the whole community by this method of placing the money in circulation on the basis of a dollar's worth of labor or material for each currency dollar.

COMMERCIAL CHANNELS.

The other means of placing the newly issued currency in circulation is through business or commercial channels. This will require a carefully adjusted system, which should utilize as many existing appliances as can be judiciously used, and should have added such other appliances as will produce the best results. Of course this would have to be under the supervision of the nation for general safety, but could be best executed in detail by private responsibility. The object of the sub-treasury plan to furnish money to citizens is good as far as it goes, but is objectionable in being limited to a few, and because it is class legislation. The machinery proposed with which to accomplish the results might be taken advantage of by unscrupulous persons, and might result in as much damage as good. A well-adjusted banking system embracing all the benefits of our present system, and adding others, would be the best of all; an outline of which I will proceed to give. The nation alone should issue money, and it alone should be responsible for its redemption and exchange. This would relieve all banks from responsibility for the circulation, and would never be the occasion of a run on the banks. If the banks of the United States were to-day operating under the old State bank law, and each had in circulation its own notes and was carrying the double load of indebtedness to depositors and note-holders, nothing could prevent a run on every bank in the United States and force an immediate suspension. This was the cause of the general suspension of banks in 1838, 1857, 1868. In 1839 the bank-note circulation was $149,185,800; the legal-tender money was $27,031,476; the excess of bank notes was $122,154,324. The banks had a double debt, one to note-holders and another to depositors. When the depositors began to withdraw, the note-holders rushed in, and the demands from the two quickly closed every bank in the United States. In 1857 the deposits in the banks were $120,764,757; State bank notes, $83,312,269; total

liability, $204,077,026. Specie held (the only legal tender), $12,970,493. Excess of liabilities, $191,106,533. At the same time there was due to the banks on loans and discounts $320,252,890, leaving an excess of assets over liabilities of $129,046,363. Notwithstanding their solvency the combined run of depositors and note-holders again closed every bank in the nation.

State bank notes are not a legal tender, are not money; they are only the promissory note of the bank payable to the bearer without interest on demand. They are outstanding certificates of deposit. Assets and securities back of them are useless in a panic. Assets and securities are not money, and can not be paid either to note-holders or depositors. State bank notes, payable to bearer on demand, in legal-tender money, by the bank, cause a double liability without any means of meeting it, and will periodically close every bank in the system using them. The only thing that has prevented the general suspension of banks in the several panics since 1861 is the fact that there were no bank notes in circulation to be redeemed. The banks had only to take care of depositors. The weak spot in all credit obligations used in the banking system as money is, that they are deposited over and over again, and the banks give the depositors credit on their books, to be repaid in legal-tender money. And when depositors in large numbers call for legal-tender money, the State bank notes or other credit obligations are rejected by the depositors. Therefore it may be laid down as an inexorable and infallible law of finance, that no form of credit obligation, and no amount of solvent assets, can take the place or perform the functions of legal-tender money in final payment, and that the volume of legal-tender money must be sufficient to avoid the necessity of using too much personal credit obligation.

The object lessons of the present year should teach our people that assets, however good, or checks, drafts, State bank notes, or any other credit obligations, can not take the place of a safe volume of legal-tender money. The

fact that ninety-five per cent of our business was transacted by checks and credit obligations, demonstrates, in view of the failures of the last two years, that we must have more legal-tender money and less of the ninety-five per cent personal credit checks. The nation, therefore, issuing the volume of legal-tender money must have some safe, practical method by which it can furnish a circulating medium to the banks, holding the banks in some way responsible, as Government agents, to the people for the use of money. The subtreasury plan has an imperfect form of this principle. If the large volume of this issue lying in the United States Treasury were used as a reserve available to the banks, under safely guaranteed requirements, and upon depositing in the United States Treasury absolutely good securities, charging the banks such a rate of interest as would prevent the undue use of money, it would give flexibility in our volume for our actual use. The rate of interest could be fixed on an increasing scale on each successive amount drawn by a bank. This rate could run rapidly up from one per cent on the first $100,000 to ten per cent on all over $500,000 or $1,000,000. This is the common method adopted by banks to check speculation or to prevent an individual customer from borrowing too heavily. It runs the rate of interest up to a point where it does not pay to borrow the money. The same principle applied by the Government against the banks would check all undue speculations or use of money. When the banks did not need the money for the use of their customers, they could return it to the United States Treasury and stop interest.

WHAT SECURITIES.

Certain bonds of States, counties, and cities could be used with perfect safety with some additional legislation. Restrict their use to a class where the total bonded indebtedness did not exceed five or ten per cent of the averaged assessed value of the real property in the State, county, or

city for the preceding five years, deducting any outstanding bonds. Also providing that after the public issuance and sale of the bonds, and payment therefor to the State, county, or city treasury, that all contest as to the validity of the bonds shall be forever barred, compelling all such contests to be made prior to the public sale of the bonds. Provide also that if the State, county, or city officers did not levy and collect the tax to meet the payment of interest and principal, that the Secretary of the Treasury could appoint a proper officer, under proper bonds, to at once levy and collect such a tax. These provisions would give a bond as good as any United States bond ever issued, and one that never could be repudiated or the payment thereof avoided. Such bonds would bear a rate of interest as low as two per cent, thus saving taxpayers a large amount. In such bonds banks could safely invest a portion of their capital or of their depositors' money, for at any time, by depositing these bonds with the United States Treasurer, the bank could obtain legal-tender money to repay depositors or to loan to customers. I do not see how a safer or more convenient form of circulation could be devised. The solvency and safety of the banks in the system would appear by the following form of a statement, using for illustration the last figures of the Comptroller's report:

Bank capital paid up	$ 686,573,015
Deposits (total)	2,327,081,452
Surplus and profits	342,503,926
Total	$3,356,158,393
Invested in bonds of States, etc., deposited with United States Treasurer for re-loan, say	1,000,000,000
Loans on real estate	300,000,000
Commercial loans	1,500,000,000
Bank premises	75,000,000
Cash on hand	481,158,393
Total	$3,356,158,393

This gives an interest-bearing aggregate of $2,800,000,000 as against present total loans and discounts of $2,153,498,-

829. It also gives legal-tender cash on hand, $481,158,393, as against a present cash on hand of $313,384,824.

To meet a depositors' run the present system gives: Cash, $313,384,324; United States certificates and redemption fund, $22,241,543; total, $335,625,867 with which to meet $2,327,081,452 of deposits. In addition to this there could be added the uncertain amount that banks call in on loans, but whatever was called in by one bank would have to be called out of some other bank and would not increase the above aggregate, neither could it help the general situation. Under the new plan the resources with which to meet a depositors' run would be: Cash, $481,158,393; bonds in United States Treasury on which legal tenders would issue, $1,000,000,000; total, $1,481,158,393. In other words, there would be this vast sum available on hand to meet depositors' claims of $3,237,081,452, instead of the present small sum of $335,625,867. Such a financial system could never be shaken. No panic could ever reach it. Runs would only affect local cases of individual banks, where gross mismanagement or intentional dishonesty had destroyed its assets. Such a system would obviate the necessity of banks calling in loans to meet depositors' checks, which, if carried to any extent, cramps and crushes the borrower. The replenishing would be from the reserve loan fund in the United States Treasury to meet the temporary demand, to be returned to the Treasury when repaid to the bank by the customer. No system of private banking can withstand or meet the colossal demands of this age.

In ordinary times and for local cases, the banks rediscount with each other and fully meet the want, but when the money shortage is general all over the nation banks can not sufficiently rediscount with each other. Here is where the financial army is doubled up, its ranks broken and thrown into confusion, followed by panic and disaster. There is now no system of reserve for this point. One must be provided, ample and available, to reach any weak point in the financial line promptly. The entire reserve

power of our sixty-six millions of people for every subject and emergency is in the Government, and should be used when required. Banks generally have bonds of States, counties, and cities that are not yet due. These will be paid, principal and interest, when due, but the bank can not in the emergency wait. Neither will the depositors. Other banks would purchase or rediscount these securities, but can not for want of funds and from fear of running short on cash. They are merchantable securities in any place where there is idle money. The reserve or money power of sixty-six millions of people as represented in our national credit vested in a national issue of legal-tender credit money is the only resource we have in such an emergency. It is ample and practicable and should by act of Congress be put in a position where it can be utilized. This power is the joint credit of sixty-six millions of people. They own it, and when they need it, what folly, what inexcusable folly or crime against society not to use it! We paid a great price for it, and if never utilized it is a total loss.

BANKS SHOULD RECIPROCATE.

In return for the benefits of this system the banks should reciprocate, and aid the United States Treasury when required. Upon the order of the Treasury, approved by the President, they should furnish a percentage of the gold or silver held by them in exchange for currency for public use. They should also be subject to such other duties toward the Government as can be best performed by them.

OUR MINES OF GOLD AND SILVER.

These also should reciprocate. It is worthy of consideration whether Congress should not pass an act giving the Government the prior right to buy with currency any or all gold or silver taken from mines on the public lands or from mines hereafter sold or patented.

Why should other nations be allowed to mine and export a product of so much importance, and our nation stand by helpless and stupified? Not only should this prior right to purchase at a market value exist, to be exercised for the public good, but there should exist a discretionary right in the executive department to charge a tax, or commission, or premiun, on gold or silver taken from the United States Treasury for export. This right is exercised by the Bank of England and in France and Germany. Why should we not place the same self-protecting power in the hands of our officers?

The essential elements of a safe monetary system for the United States therefore are: First, an international clearing-house system to lessen the actual handling of gold in settling the international balances among merchants. Second, the issuing by the United States of a sufficient volume of legal-tender currency, interchangeable with gold and silver, based on the wealth of the nation, and publicly guaranteed by a constitutional amendment, so as to create absolute confidence in our currency. Third, a banking system with a proper amount of its funds invested in the bonds of States, counties, and cities that could be deposited in the United States Treasury, on which money could be drawn by the banks to make loans or pay depositors. Under such a system all idle money from all parts of the United States would be by the banks returned to the United States Treasury to avoid paying interest thereon, thus keeping the idle money in its full strength at the reserve point ready to go at a moment's call to any point in the whole system.

BANK PROFITS.

The profit to a bank is not so much in a high rate of interest as it is in the volume of business. Small profit on the individual, quick sales, and a large business is the rule of success, of live and let live, in banking and in all other business. A large volume of money will prevent

more failures than a small volume. A large volume of money will create, develop, and sustain a larger volume of business than a smaller volume would. A large volume of money will give employment to more laborers than a small volume. But volume will not prevent failures by stealing or bad business acts. Failures generally occur for want of money. The man failing seldom has a drug of money at his command. Values and securities are generally much more stable in the pressure of plenty of money than when it is scarce. Values and securities advance under the influence of either abundance of credit or abundance of money. But when the advance is based on credit the day must come when credit must be liquidated with money, and when not forthcoming a shrinkage of values occurs, bringing in its train all the calamities of a financial crisis. Business must then be killed off until it is within the compass of the volume of money, and then start to grow on credit again, and again be killed off. When the advance of values and securities is based on a sufficient volume of money they must remain stable. There is no room for shrinkage except upon the basis of non-productive or perishable commodities, and this is common to all financial conditions. The beneficial effect of the volume of money reaches a limit when it causes labor to produce more than the human race can consume. But surplus products can largely find a market in some part of this big world. The starving millions of Europe can eat up all of our surplus food. The volume of money gives no illegal advantage to one person or set of persons against others as to price. A large volume of money would advance pro rata all prices and labor. Thus, where the farmer got an advance for his products he would in turn pay an advance for all products he would consume, and so of all others. This must be so. For if it gave the farmer a perpetual advantage over all others it would only be a question of years until the farmers would be the billionaires, and, in fact, in time would own the whole world and all its contents. A small volume of money

enables the owners of it to charge for its use more than the averaged profit on the industries of the country. Here again it is only a question of years until that excess of interest-rate above profit-rate shall eat up the industry, close it up, and transfer it as a dead property to the money-owners. This continued, wrecks the country and leaves the money-owner losses that more than offset all of his unjust excess of profits. The volume of money must be such that the averaged rate of interest shall be less than the averaged rate of profits on the industries of the people. On no other basis can the industries of the people prosper. This rate of interest can only be attained and retained by increasing the volume of money to the proper limit. And that limit will be discovered when the rate of interest is reached and permanently retained all over the nation and all over the world. If our volume of money were trebled, deposits would treble. There would be three times as much money to loan. At a ruling rate of three per cent three times the number of persons could borrow with profit to their business. Banks, therefore, from this increased amount of loans would realize per year the equal of nine per cent on the present volume of loans. But in one case it is collected from three customers, where in the latter it is collected from one. There would thus arise stability all along the financial line, and as much or more profit to the banks and less losses. If from the bank profits since 1873 were deducted all the losses banks have sustained by failure of customers and shrinkage of securities, it would leave a net rate of interest not to exceed three or four per cent.

To show how the principles referred to in this address would practically work out when embodied in an act of Congress, I have carefully prepared a bill, taking the general act of Congress of June, 1864, as the frame-work and making as few changes or additions as possible. It is hereto attached for the inspection of those desiring to study it. The words in italics show the suggested changes made in the present law.

In view of the financial emergency that rests not only upon this nation, but upon all the nations, I would suggest that this Congress express its judgment in the form of resolutions on the necessity of Congress acting in the premises, and enacting a law whereby the gold can be more freely used for international purposes, and that for our domestic use the credit of the nation, declared in a constitutional amendment and based on the wealth and resources of the nation to a safely limited extent, should be used in the form of a legal-tender money. As soon as it became known that Congress would take such action confidence would be restored, and we would enter upon an era of permanent prosperity such as we have never seen, a prosperity that would be shared in by every other nation.

PROPOSED ACT OF CONGRESS.

This bill is known as Senate Bill 2,947, and House Bill 8,311, Fifty-second Congress, first session. The parts in italics show where this bill differs from the currency act of June 3, 1864.

A Bill to Provide a National Circulating Medium and to Provide for the Circulation thereof.

Section 1. That there shall be established in the Treasury Department a separate Bureau, which shall be charged with the execution of this and all other laws that may be passed by Congress respecting the issue and circulation of a National circulating medium. The chief officer of said Bureau shall be denominated the Comptroller of Finance, and shall be under the general direction of the Secretary of the Treasury. He shall be appointed by the President of the United States, with the approval of the Secretary of the Treasury, by and with the consent of Congress, and shall hold his office for the term of ten years unless sooner removed by the President with the consent of Congress. He shall receive an annual salary of *eight* thousand dollars; he shall have a competent deputy appointed by the Secretary, whose salary shall be *four* thousand dollars per year, who shall possess the power and perform the duties of the Comptroller during a vacancy in said office or during the absence or inability of the Comptroller. The Comptroller shall employ, from time to time, the necessary clerks to discharge such duties as he shall direct. Such clerks shall be appointed and classified by the Secretary, and be subject to the direction of the Secre-

tary of the Treasury, which clerks shall be classified in the manner now prescribed by law. Within fifteen days after notice of his appointment he shall take and subscribe the oath of office prescribed by the Constitution and the laws of the United States, and shall give to the United States a bond in the penal sum of one hundred thousand dollars, with not less than four responsible sureties, to be approved by the Secretary of the Treasury, conditional for the faithful discharge of the duties of his office. The Deputy Comptroller shall also take oath of office, and give a similar bond in the sum of fifty thousand dollars. The Comptroller or Deputy Comptroller shall not, either directly or indirectly, be interested in any association doing a banking business under this act.

SEC. 2. That the Comptroller of Finance, with the approval of the Secretary of the Treasury, shall devise a seal, with suitable inscription, for his office, a description of which, with the certificate of approval by the Secretary of the Treasury, shall be filed in the office of the Secretary of State, with an impression thereof, which shall thereupon become the seal of office of the Comptroller of Finance, and the same may be renewed when necessary. Every document executed by the Comptroller, in pursuance of any authority conferred on him by law, and sealed with his seal of office, shall be received in evidence in all places and courts whatsoever; and all copies of papers in the office of the Comptroller, certified by him to be correct copies of the originals in his office, shall in all cases be evidence equally and in like manner as the originals. An impression of such seal directly on the paper shall be as valid as if made on wax or wafer.

SEC. 3. That there shall be assigned to the Comptroller of Finance, by the Secretary of the Treasury, suitable rooms in the Treasury Building for conducting the business of the Bureau of Finance, and shall provide safe and secure fire-proof and burglar-proof vaults in which it shall be the duty of the Comptroller to deposit for safe-keeping all plates not necessarily in the possession of engravers and printers, and other valuable things belonging to his department; and the Secretary shall from time to time furnish the necessary furniture, stationery, fuel, light, and other proper conveniences for the transaction of said business.

SEC. 4. That the Comptroller of Finance, under the direction of the Secretary of the Treasury, is hereby authorized and directed to issue *currency notes* in the name of the United States of America *to the amount of twenty dollars per capita of the population of the census of 1890, in addition to gold and silver coin. Upon ascertaining each following census the issue shall be increased to said twenty dollars per capita. In addition thereto he shall issue such additional currency notes of the same form and effect in lieu of gold or silver coin of the United States, or bullion deposited or held exclusively for exchange for currency notes as may be provided by law.* In order to furnish suitable notes for circulation the Comptroller of Finance is hereby authorized and required, under the direction of the Secretary of the Treasury, to cause plates and dies to be engraved, in the best manner to guard against counterfeiting and

fraudulent alterations, and to have printed therefrom, on paper or similar material best adapted therefor, and numbered, the quantity of currency notes, of the denominations of one dollar, two dollars, five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, and five hundred dollars, as may be required to supply the issue herein called for. *The number of each denomination in use shall be such that the needs of the people shall be best subserved thereby. The notes of each denomination shall be consecutively numbered in series. Said notes shall express on their face that they are issued by the Government of the United States of America as the circulating medium of the people of the United States. They shall have the written or engraved signatures of the Treasurer of the United States, and of the Comptroller of Finance, and the imprint of the seal of the Treasurer, and shall bear such other statements and devices as the Secretary of the Treasury shall direct. Said notes, and gold and silver coin of the United States, shall be received at par, in satisfaction of all obligations within the jurisdiction of the United States for the payment of money. Said gold and silver coin and currency shall be exchangeable at the face value thereof.*

SEC. 5. *That the Secretary of the Treasury with the approval of the President may from time to time make such rules and regulations for the exchange of gold, silver, and currency, at the Treasury or any sub-treasury of the United States, in sums of not less than five hundred dollars, as the interests of the people may require. Such rules and regulations may require a premium to be paid on gold or silver taken from the Treasury or sub-treasuries, for export; said rules and regulations may also at any time require that the gold or silver or any part thereof taken from the public lands of the United States, or from any lands hereafter sold or patented by the United States, shall be sold to the United States at its market value; and there is hereby reserved to the Government the prior right to buy all or any part of such gold or silver for public use at its market value, and shall pay therefor in legal-tender currency.*

Such rules and regulations may further provide that each banking corporation formed under the laws of the United States, and receiving the benefit of such law, shall at such times as may be ordered forward to the United States Treasury or any sub-treasury designated, at the expense of the United States, such a percentage of the gold or silver held by such bank as may be named in such rules and regulations, or as may be designated in any special order, and shall receive in exchange therefor legal-tender currency.

Such rules and regulations may also provide for establishing a system for clearing international commercial balances, under which the balances due between domestic and foreign clearing houses or specified banks may be deposited to the credit of such clearing houses or banks in the United States Treasury. Provided that all foreign balances due the United States Treasury hereunder shall be deposited in the custody of the debtor nation.

SEC. 6. That it shall be the duty of the Treasurer of the United States to receive worn-out and mutilated circulating notes issued hereunder, which shall be destroyed by being burned to ashes in the presence of the Secretary of the Treasury and the Comptroller of Finance or such other person as the President shall designate. A permanent book of record of the destruction of such notes, with sufficient description thereof, shall be kept by the Comptroller of Finance. After said destruction of said notes, new notes shall be issued to the owners of the destroyed notes.

SEC. 7. *That for the purpose of putting said notes in circulation the Comptroller of Finance shall be authorized to retire all outstanding notes or currency of the United States, and to buy such legally issued bonds of the States, counties, and incorporated cities of over five thousand inhabitants as he deems proper. Said bonds to be issued by said States, counties, and cities, for a valuation not to exceed five per cent of the average assessed value of the real estate in said State, county, or city, for the five years preceding the issuance of said bonds, deducting from the said issue of bonds the par value of any other outstanding bonds issued by said State, county, or city. Said bonds shall be a lien on all personal and real estate in said State, county, or city, except public property, and shall bear interest at the rate of two per cent per year, and shall not run to exceed twenty years. The interest shall be payable annually to the Comptroller of Finance at Washington, and a sinking fund shall be provided in each case sufficient to liquidate said bonds at or before maturity. The public issuance of such bonds, their delivery to the Comptroller of Finance, and the receipt of the circulating notes thereof, shall be deemed conclusive evidence of the legal issuance and validity of said bonds, and thereafter no defense shall be set up to the payment of principal or interest, or to the levying and collecting of taxes therefor. All objections or defense to the issue of said bonds must be made by the parties interested prior to the delivery thereof to the Comptroller of Finance, otherwise they are forever waived and barred as a defense. Said bonds may be sold by the Comptroller, and such bonds or any United States bonds may be deposited at par by banks with Treasurer as reserve security, on which said banks may obtain the use of money as hereinafter provided.*

If said State, county, or city shall fail or neglect at any time to levy and collect a sufficient tax to meet the obligations of said bonds, there shall be immediately due and payable to the Comptroller of Finance a tax on the real and personal property in said State, county, or city in default, on its last assessment roll, sufficient to meet said payments and costs of collecting the same; and the same shall be collected by any person or persons appointed therefor by the Comptroller of Finance, who shall have power, where said tax is not paid within thirty days after it is levied, to collect the same by seizure and sale upon warrant issued by any judge ex parte of any court of original jurisdiction, State or national, having jurisdiction of the property. The United States may become the

purchaser of such property. Redemption may be made within one year after sale, by paying the amount due on the sale, costs and interest thereon at ten per cent. Provided that no bonds shall be purchased hereunder except such as by State laws are made subject to the terms of this act.

SEC. 8. That associations for carrying on the business of banking may be formed by any number of persons, not less in any case than five, who shall enter into articles of association, which shall specify in general terms the proposed name of the association, the object for which the association is formed, and the proposed capital stock; and may contain any other provision, not inconsistent with the provisions of this act, which the association may see fit to adopt for the regulation of the business of the association and the conduct of its affairs, which said articles shall be signed by the persons uniting to form the association, and a copy of them forwarded to the Comptroller of Finance, to be filed and preserved in his office. Attached to said articles of association shall be a schedule *of the bonds offered and known as "the reserve security" as herein provided for, which schedule shall accurately describe said bonds. Upon receipt of said articles and schedule, the Comptroller of Finance shall proceed in whatever manner he deems best to verify the facts set out in said schedule; and when satisfied that the average assessed value for said five years next preceding is not in excess of half of the actual value of said real estate*, and that the schedule is otherwise correct as to its statement, he shall notify said persons of that fact of the name approved by him for the association.

SEC. 9. That the persons uniting to form such an association shall make a certificate of organization, which shall specify:

First—The name assumed by the association.

Second—The place where its operations of discount and deposit are to be carried on, designating the State, Territory, or district, and also the particular county and city, town or village.

Third—Its capital stock, and the number of shares into which it shall be divided.

Fourth—The name and places of residence of the shareholders, and the number of shares held by each.

Fifth—An accurate copy of the schedule of *bonds attached* to the articles of association provided for in Section 8.

Sixth—A declaration that said certificate is made to enable such persons to avail themselves of the advantages of this act, and that said *bonds are for security as required in this act.*

The said certificate shall be duly signed and acknowledged by each of said persons, in the manner required by the law of the place for acknowledging conveyances of real estate, to entitle them to be recorded. *When duly certified therefor said certificate shall be recorded in the proper book of record of the county or district in which the association is situated.* When duly recorded the said certificate shall be transmitted to the Comptroller of Finance, who shall record and carefully preserve the same in his

office. Copies of said certificate, duly certified by the Comptroller of Finance and authenticated by his seal of office, shall be legal and sufficient evidence in all courts and places within the jurisdiction of the Government of the United States of the existence of said association and of every other matter that could be proved by the production of the original certificate.

SEC. 10. *That no association shall be organized hereunder with a "reserve security" greater than one million dollars, or with a less "reserve security" than twenty-five thousand dollars, nor with a capital stock of less than fifty thousand dollars.*

SEC. 11. That whenever a certificate of organization has been received and filed by the Comptroller of Finance, and is found by him to fully comply with the requirements of this act, the Comptroller of Finance shall proceed to investigate, in the manner deemed best, the personal standing, financial condition, and record of the persons seeking to form the association, also the object of the association, and any other facts that may aid him in determining the desirability of such an association and the probable safety of its business affairs and management. The Comptroller of Finance may use such special means as he deems best to safely ascertain the facts above referred to. When it shall appear to the satisfaction of the Comptroller of Finance that the association is lawfully entitled to commence the business of banking with safety to the Government and to the people, he shall issue to such association a certificate under his hand and official seal that such association has complied with all the provisions of this act required to be complied with, and that such association is authorized to commence the business of banking, designating the place of business, fully naming the directors and officers thereof for the first year, and its capital stock *and character and amount of reserve security.* The said certificate shall be published in such local newspapers, for sixty days, as the Comptroller of Finance shall designate. From the date of said certificate said association shall be deemed a body corporate to transact the business of banking hereunder, with the usual rights, powers, and duties of banking corporations, and shall exist for a period of twenty years from such date. An impress of its corporate seal shall be filed with the Comptroller of Finance and with the Secretary of the Treasury.

SEC. 12. *That thereafter, upon the demand of said association, the Comptroller of Finance shall issue to said association a warrant on the Treasury of the United States, for circulating notes of the Government to the amount of ninety-five per cent of the par value of said bonds deposited by said bank, or for any part thereof, as demanded from time to time, which warrants, upon presentment duly indorsed, shall be paid out of the Treasury in the notes issued hereunder. Said sum or any part thereof, not less than five thousand dollars, may, at any time, be returned to the Treasury.*

SEC. 13. That the affairs of all associations for banking purposes formed hereunder shall be managed by its board of directors which may be in legal session on any Monday from 10 A. M. wherein a quorum is present, and on

any other day where, after notice, a quorum may be present or to which a regular session may be adjourned, a quorum being present.

Every director shall be a citizen of the United States during his whole term of service; and at least three-fourths of the directors shall have resided in the State or Territory or district in which such association is located one year next preceding their election or appointment as directors, and shall be residents thereof during their term of office. Each director shall own in his own right at least ten shares of the capital stock of the association. Each director, when elected or appointed, shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association, and will not knowingly violate, or willingly permit to be violated, any of the provisions of this act, and that he is the bona-fide owner in his own right of ten shares of the capital stock of the association, standing in his own name on the books of the association, and that the same is not hypothecated or in any way pledged as security for any loan, debt, or obligation; which oath, subscribed by him and duly certified as required by law, shall be immediately transmitted to the Comptroller of Finance and by him filed and preserved in his office.

SEC. 14. That the directors of any association first appointed shall hold office until their successors shall be elected and qualified. All elections shall be held on the second *Tuesday of January of each year*, and the directors as elected shall hold their places until their successors are elected and qualified. Any vacancy occurring by reason of a director ceasing to own the required amount of stock, or from any other cause, shall be filled by appointment by the board. If from any cause an election shall not be held at the time designated, it may be held on any subsequent day by publishing thirty days' notice thereof in a local daily paper.

SEC. 15. That in all meetings of the stockholders each share of stock shall be entitled to one vote on all questions. Shareholders may vote by proxies, duly authorized in writing. None but shareholders can use or hold a proxy.

SEC. 16. That the shares of stock may be transferred on the books of the association in such manner as may be prescribed in the by-laws of the association. No transfer shall be made of stock where the holder is indebted to the association in any manner; but the association has a lien on all of its stock for such indebtedness. Every person becoming a shareholder, by transfer or otherwise, shall, in proportion to his shares, succeed to all the rights and liabilities of the prior holder of such shares, and no change shall be made in the articles of association by which the rights, remedies, and securities of the existing creditors of the association shall be impaired. The shareholders of each association formed under the provisions of this act, and of each existing bank or banking association that may accept the provisions of this act, shall be held individually responsible, equally and ratably, and not one for the other, for all contracts, debts, and engagements of such associations to the extent of the amount of their stock therein, at par thereof, in addition to the amount invested in such shares.

SEC. 17. That the capital stock or the reserve security of any association formed hereunder may be increased or decreased within the limits fixed for the capital stock or *the reserve security* by this act by a two-thirds vote of its shareholders at any annual meeting in January. The increase or decrease of capital stock or *the reserve security* shall be made by complying with the requirements of this act as to the formation of such associations in the first instance, and by complying with such additional requirements as the Comptroller of Finance may deem best to secure the interests of all parties concerned, provided *that in the decrease of the reserve security the association so decreasing its reserve security shall surrender to the Comptroller of Finance circulating notes received thereon to the amount of the decrease. In such cases the Comptroller of Finance may, in his discretion, release from the effect of this act a pro rata of the bonds described in the certificate of organization, but this shall only be done in cases where the Comptroller of Finance shall find the association to be solvent. The maximum or minimum of such increase or decrease shall be determined by the Comptroller of Finance.*

Any association organized hereunder may close up its business and dissolve its organization by a vote of its stockholders had at the annual meeting in January. In such cases the association must first settle all of its outstanding obligations and return to the Comptroller of Finance the amount of circulating notes received on its reserve security. The Comptroller of Finance, upon receipt of a statement of the foregoing facts duly authenticated by the directors of said association under oath, shall fully investigate the matters pertaining thereto; and upon being satisfied that all obligations of said association are fully satisfied and discharged, shall cause said statement to be published for at least sixty days in a local newspaper, and shall also cause a notice thereof to be inserted in the *United States Bulletin of Finance* for the same period. If any objections to the dissolution are filed with the Comptroller of Finance before the expiration of said sixty days, he shall determine and adjust any matters therein objected to; when so adjusted, or if no objections are filed with him, he shall issue a certificate dissolving said association and releasing the bonds held under the certificate of organization from any further claim or demand thereon. Said certificate of dissolution shall be by him duly signed and acknowledged so as to entitle the same to record in the office where the certificate of organization was recorded. The Comptroller of Finance shall duly record said certificate of dissolution in his office, and thereafter shall transmit the same to said association upon the same being duly recorded in the office where the certificate of organization was recorded. The association will thereby be completely dissolved.

SEC. 18. Should the Comptroller of Finance at any time deem the affairs of said association unsafe from any cause, he may appoint a special agent or agents under, his hand and seal of office, who shall have power to inspect all affairs of said association, and to close up its affairs to the best possible advantage to all parties interested. To this end such agent shall have

power to bring or defend any suit in the name of the association, and to sell at public or private sale any or all of the property of the association, and to execute proper conveyances thereof, and use the proceeds to close up the affairs of the association. He shall also have power to collect from the stockholders the amount for which they are responsible under this act, and to use the same to close up the accounts. He shall perform such other duties as may be necessary, and shall give such bonds for faithful performance of his duties hereunder as the Comptroller of Finance may require. His certificate of appointment shall be duly acknowledged and recorded as the other certificates are required to be. The Government shall be a preferred creditor in all such cases as are provided for in this section.

SEC. 19. That the directors may declare dividends from the net profits of the association, but such association before it shall declare a dividend shall carry at least ten per cent of its net profits to a surplus fund until said reserve fund shall equal the capital stock of said association.

SEC. 20. That it shall be lawful for any association hereunder to purchase, hold, and convey real estate as follows:

First—Such as shall be necessary for its immediate accommodation in the transaction of its business.

Second—Such as shall be mortgaged to it in good faith by way of security for debts previously contracted or *for loans made thereon*.

Third—Such as shall be conveyed to it in satisfaction of debts previously incurred in the course of its dealings.

Fourth—Such as it shall purchase at sales under judgments, decrees, or mortgages held by the association, or shall purchase to secure debts due to said association.

Such association shall not purchase or hold real estate for any other purpose than as herein specified. Provided, that all such real estate acquired other than for the purpose of the business of the association shall be sold within five years after it is obtained by the association.

SEC. 21. That each association may charge such rates of interest as may be allowed by local laws where the association is situated. Each association shall keep on hand in cash an amount equal to at least twenty-five per cent of the amount of its deposits. When the reserve amount shall fall below said percentage, no more dividends or loans shall be made until the amounts called in shall restore the said percentage.

SEC. 22. That every association hereunder shall make to the Comptroller of Finance a report, according to the form which may be prescribed by him, verified by the oath or affirmation of the president or cashier of such association, which report shall, among other things, exhibit in detail, and under appropriate heads, the resources and liabilities of the association, and *the last assessment valuation of its real estate*, before the commencement of business on the morning of the first Monday of the months of January, April, July, and October of each year, and at such other times as the Comptroller may order, and shall transmit the same to the Comptroller of Finance within five days thereafter. And any bank failing to transmit such

report shall be subject to a penalty of one thousand dollars for each day after said five days that said report is delayed beyond that time. The Comptroller shall cause abstracts of said reports to be published in the *United States Bulletin of Finance*, and the separate report of each association shall be published by the association in a local daily newspaper for at least one week. *Said association shall forward with each quarterly report one-half (½) of one per cent of the cash used on its reserve security during the preceding quarter, as interest thereon, on sums not to exceed one hundred thousand dollars, and three-fourths of one per cent per quarter on sums in excess of one hundred thousand dollars and less than two hundred thousand dollars; thereafter the rate shall increase one per cent per quarter additional on each additional one hundred thousand dollars used, or on any part thereof;* and in case of default in the payment thereof, by any association, said interest may be collected in the manner provided for the collection of United States duties of other corporations. In addition to the quarterly reports required herein, every association shall, on the first Tuesday of each month, make to the Comptroller of Finance a statement, under oath of the president or the cashier, showing the condition of the association making such statement, in respect to the average amount of loans and discounts, specie and circulating notes on hand belonging to the association, clearing-house certificates, deposits, and such other matters as the Comptroller of Finance may require.

SEC. 23. That no association shall make loans or discounts on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall be sold within six months from the time of its purchase. But no such purchase or sale shall relieve the former owner thereof from his pro rata of responsibility for all debts incurred by the association prior to sale and transfer to a new purchaser in good faith.

SEC. 24. That no association, or any member thereof, shall, during the time it shall continue its banking operations, withdraw, or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital or surplus fund. And if any losses shall at any time have been sustained by any such association, equal to or exceeding its undivided profits then on hand in cash, no dividend shall be made; and no dividend shall ever be made by any association, while it shall continue its banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts and ten per cent for the reserve fund. And all debts due any association on which the interest is past due and unpaid for a period of six months, unless the same shall be well secured and shall be in process of collection, shall be considered bad debts within the meaning of this act.

SEC. 25. That the president and cashier of every such association shall cause to be kept at all times a full and correct list of the names and residences of all the shareholders in the association, and the number of shares

held by each, in the office where its business is transacted; and such list shall be subject to public inspection during business hours of each day in which business may be legally transacted. A copy of said list shall be sent with each quarterly report to the Comptroller of Finance.

SEC. 26. *That the directors of any bank incorporated under any national or State law may, upon the authorization of the owners of two-thirds the capital stock, in writing, duly signed and acknowledged, avail themselves of the provisions of this act and become a national association under their corporate name by complying with the provisions of this act;* the said directors being by said vote authorized to execute all papers relating thereto. Any matters not herein provided for in such cases shall be adjusted by the Comptroller of Finance in accordance with the spirit and intention of this act.

SEC. 27. That all associations under this act, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public moneys and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the association thus designated satisfactory security for the safe-keeping and prompt payment of public funds deposited with them, and for the faithful performance of their duties as financial agents of the Government.

SEC. 28. That all transfers of the assets, or any part thereof, of any association doing business hereunder, made after the commission of an act of insolvency, or in contemplation thereof, with a view to prevent the application of it as assets in the manner prescribed in this act, or with a view to the preference of one creditor to another, shall be utterly null and void.

SEC. 29. That any director, officer, or employé of any association organized hereunder who shall knowingly violate, or permit any of such persons to violate, the provisions of this act, shall be removed forthwith from his position, by the proper authority of the association, or by order of the Comptroller of Finance. And any director, officer, or employé of such association who shall so transact the business of such association, or any part of it, as to intentionally defraud the association or any one else, or with the intention to deceive or mislead any officer of the association, or any agent appointed to examine the affairs of such association, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment for not more than ten years.

SEC. 30. That all suits and proceedings arising out of the provisions of this act, in which the United States or its agents or officers shall be parties, shall be conducted by the district attorneys of the several districts, under the direction and supervision of the Solicitor of the Treasury. And that all suits or actions arising under the provisions of this act may be had in any circuit, district, or territorial court of the United States held within the

district in which the association may be established, or in any State, county, or municipal court, in the jurisdiction of which said association is established, which has jurisdiction in similar case.

SEC. 31. That if any person shall falsely make, forge, or counterfeit, or cause or procure to be made, forged, or counterfeited, or willingly aids or assists in forging or counterfeiting, any note in imitation of, or purporting to be in imitation of the circulating notes issued under the provision of this act, or shall pass, utter or publish, or attempt to pass, utter or publish, any false, forged or counterfeited note purporting to be issued under the provisions of this act, knowing the same to be fasely made, forged or counterfeited, or shall falsely alter, or cause or procure to be falsely altered, or willingly aids or assists in falsely altering, any such circulating notes issued under the provisions of this act, or shall pass, utter, or publish, or attempt to pass, utter, or publish as true any falsely altered or spurious circulating notes issued, or purporting to have been issued, under the provisions of this act, knowing the same to be falsely altered or spurious, every such person shall be deemed and adjuged guilty of a felony, and being thereof convicted shall be sentenced to be imprisoned and kept at hard labor for a period of not less than five years or more than twenty years, and fined in a sum not exceeding one thousand dollars.

SEC. 32. That if any person shall make or engrave, or cause or procure to be made or engraved, or shall have in his custody or possession any plate, die, or block after the similitude of any plate, die, or block from which any circulating notes issued as aforesaid shall have been prepared or printed, with intent to use such plate, die, or block, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, or shall have in his custody or possession any blank note or notes engraved and printed after the similitude of any notes issued as aforesaid with intent to use such blanks, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, or shall have in his custody or possession any paper adapted to the making of such notes, and similar to the paper upon which any such notes shall have been issued, with intent to use such paper, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, every such person, being thereof convicted by due course of law, shall be sentenced to be imprisoned and kept at hard labor for a term not less than five or more than twenty years, and fined in a sum not exceeding one thousand dollars.

SEC. 33. *That the Comptroller of Finance shall cause to be prepared each month concise information showing the amouut of circulating notes issued during the preceding month and the approximate amount of circulating notes, gold and silver coin reported in the banks in each State, Territory, District, and in the principal cities of the United States, and also the amount in the various vaults or Treasuries of the United States. It shall also contain the name of each bank, the amount of its capital stock, its reserve fund, and its losses for the preceding month, and such other information as shall be deemed of sufficient value to the financial*

interest of the people to be published. Such information shall be published monthly by the Department of Printing in pamphlet form, of convenient size for permanent binding in book form. One copy of each issue shall be sent monthly to each of the following parties: To each association doing business hereunder; to the President and each member of his Cabinet, to each member of Congress, and to such other officers of the Government as the Comptroller of Finance may direct. Also to the Governor of each State, Territory, or District, and to each public library, university, or college applying therefor. Any person may have a copy forwarded to his address for one year by first forwarding to the Comptroller of Finance the sum of one dollar.

SEC. 34. *That as the currency notes shall accumulate in the Treasury of the Government, from revenue or otherwise, they shall be returned to circulation among the people, in addition to the ways hereinbefore specified, by paying the current expenses of the Government; by the purchase of suitable grounds and the erection of suitable buildings for post offices and other uses of the Government; by the construction of such other works as shall be deemed by Congress for the best interests of the public. The expenditures shall be made annually, in each State, Territory, or District, as nearly as may be in proportion to the number of its inhabitants. The expenditures hereunder shall be as directed from time to time by Congress.*

SEC. 35. That all notes issued hereunder and all moneys received by the Comptroller of Finance hereunder shall be deposited in the Treasury of the United States. And the Comptroller of Finance shall keep an itemized account of the sources from which received, with the dates thereof.

SEC. 36. That it shall be unlawful for any officer acting under the provisions of this act to countersign or deliver to any association, or to any other company or person, any circulating notes contemplated by this act, except as herein provided, and in accordance with the true intent and meaning of this act. And any officer who shall violate the provisions of this section shall be deemed guilty of a high misdemeanor, and on conviction thereof shall be punished by a fine not exceeding double the amount so countersigned and delivered, and imprisoned for not less than one year and for not exceeding fifteen years.

SEC. 37. That if the directors of any association shall knowingly violate, or knowingly permit any of the officers, agents, or servants of the association to violate, any of the provisions of this act, all the rights, privileges, and franchises of the association derived from this act shall be thereby forfeited. Such violation shall be first determined and adjudged by a proper circuit, district, or territorial court of the United States, in a suit brought for that purpose in the name of the Comptroller of Finance, which decree shall adjudge the association dissolved. Thereupon the affairs of the association shall be closed up by the Comptroller of Finance; and in case of such violation, every director who participated in or assented to the same shall be held liable in his personal and individual capacity for all damages

which the association, its shareholders, or any other person shall have sustained in consequence of such violation. Such directors shall hereafter be disqualified for the office of director in any association formed hereunder; and any president, director, cashier, teller, clerk, or agent of any association who shall embezzle, abstract, or willfully misapply any of the moneys, funds, or credits of the association, or shall, without authority from the directors, issue or put forth any certificate of deposit, draw any order or bill of exchange, make any acceptance, assign any note, bond, or draft, bill of exchange, mortgage, judgment, or decree, or shall make any false entry in any book, report, or statement of the association, with intent in either case to injure or defraud the association, or any other company, body politic or corporate, or any individual person, or to deceive any officer of the association, or any agent appointed to examine the affairs of any such association, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment not less than one and not more than ten years.

SEC. 38. That the Comptroller of Finance, with the approbation of the Secretary of the Treasury, as often as it shall be deemed necessary or proper, shall appoint a suitable person or persons to make an examination of the affairs of every banking association formed hereunder; which person or persons shall not be a director or other officer or employé in any association whose affairs he shall be appointed to examine, and who shall have power to make a thorough examination into all the affairs of the association, and, in doing so, to examine any of the officers and agents thereof on oath, and shall make a full detailed report of the condition of the association to the Comptroller. And the association shall not be subject to any other visitorial powers than such as are authorized by this act, except such as are vested in the several courts of law and chancery. And every person appointed to make such examination shall receive for his services at the rate of five dollars for each day employed by him in such examination, and two dollars for each twenty-five miles he shall necessarily travel in the performance of his duty.

SEC. 39. That persons holding stock as executors, guardians, administrators, or trustees shall not be personally subject to any liabilities as stockholders, but the estates and funds in their hands shall be liable in like manner and to the same extent as the testator, intestate, ward, or person interested in said trust funds would be if they were respectively living and competent to act and hold the stock in their own names.

SEC. 40. *That hereafter no national associations for the purpose of banking shall be formed except under the provisions of this act, and all banking institutions now under the provisions of prior acts of Congress shall be allowed to continue under such acts until their proper term of existence has expired. The currency issued under the provisions of this act shall be deemed a public use, and shall not be subject to taxation in the hands of citizens of the United States; but gold or silver coin or bull-*

ion shall be subject to taxation at its market or commercial bullion value.

SEC. 41. *That the present Comptroller of Currency shall hereafter be known as the Comptroller of Finance, under this act, and under such name shall, with the bureau now established, perform all duties required under the various acts of Congress relating to currency or a circulating medium.*

SEC. 42. That all acts or parts of an act in conflict with the provisions of this act are hereby repealed, and Congress may at any time amend, alter, or repeal this act.

NOTE.—In reference to this bill see House of Representatives document, Fifty-second Congress, second session, Report 2614, Part 2.

THE BEST BANKING.

By Mr. John M. C. Marble of Los Angeles, Cal.

An experience of over thirty years with the national banking system proves beyond a doubt that no banking system ever tried, in this or any other land, approaches it in all the elements that go to make a banking system worthy the greatest people. A system so thoroughly proven is entitled to such consideration as will not permit its being hastily set aside to make way for chimerical and untried schemes of doubtful expedience. The study, rather, should be to improve what we have and know to be good. The national is a system without monopoly, and the requirements are so just that every hamlet, town, or city can have as many such banks as they desire.

The national bank notes pass current everywhere. Their issues for thirty years have proved absolutely free from loss through times more trying financially than the country is ever again likely to experience, and the system can be easily perfected so that all their other obligations will prove just as reliable. Before the advent of the national system a prime cause of panics and depressions was unreliable bank notes. At the present, want of confidence in bank deposits is a leading factor in the distrust which causes panics. Remove this danger, a thing which the statistics of the past thirty years prove can be easily done, and it introduces a system as near perfection as anything mortal can be. Through such banks the Government can borrow at home from its own people, and at any time, whatever money it needs at two per cent per annum, or less. Without such institutions much of our borrowing will be done abroad on a basis of three per cent per annum, or more.

The persistent clamor of silver-mine owners, whose aim has been to drive national bank currency out of use, and thus make room for silver notes in order to create a market for their products, and force the people to take sixteen ounces of silver for one ounce of gold and consider it equivalent when it is not; this and the discrimination of the present national bank law against the great agricultural classes, not permitting them to use the best security they possess to secure loans from the national banks, has depopularized these splendid institutions and well-nigh driven them out of existence to be superseded by untried and very doubtful expedients.

The national banks having proved successful under a suspension of gold payments, and also when on a specie basis, I have not deemed it necessary to introduce the question of the ratios of gold and silver in this paper. The records of the Comptroller's office show that the national banks are principally owned by people of moderate means, and in small holdings; therefore any legislation to improve and maintain their usefulness will be in favor of the people and not of the great capitalists, who have the power and use it to protect themselves. Whether such important institutions are voted up or voted down, the changes that should be made to improve and perfect the national banking system are: First, the authorization of real estate security at least to the extent that such security is now authorized by State commercial banks. This will largely do away with the prejudice of the farming classes against national banks. It is justice and a safe proposition. No banks have been more uniformly successful than the State banks of California, which have never been restricted in that regard. The facts are, a first mortgage on a good farm, a good house, or other good real estate at a proper margin can as quickly and as easily be realized on any day, whether due or not, as the usual personal or collateral obligations. It is a peculiar feature of the law that nothing is prohibited as security for bank loans, not even cats or dogs, but the one

thing real estate, and this latter the best thing the earth has to base security on. The result of such legislation is to give chattel property and personal security a monopoly of national bank loans, thus augmenting speculation and failures. Second, the law should authorize the issue of national bank notes to the par of United States bonds; that is, a bank depositing United States bonds to the amount of $100,000, and gold with the United States Treasury as a redemption fund to the amount of $5,000, such fund to be always maintained in full, making $105,000, should be entitled to receive $100,000 in national currency for circulation. All schemes to issue national currency without security, or on other than United States bonds, can well wait until the Government debt is more largely reduced. Third, the tax on circulation of one per cent per annum should be maintained. From such revenue pay first all expenses of the Comptroller of the Currency's office incidental to national banks, and set aside the remainder as a reserve or safety fund to liquidate deposits and other obligations of national banks hereafter failing. The experience of the past thirty years proves that this provision would be more than ample to pay all obligations of national banks during that term, thus insuring these depositories of the people being as reliable under every circumstance as the national currency itself. Fourth, prohibit national banks from paying interest on deposits; or, if permitted, let it be only on request of the clearing-house association in the nearest redemption city, specifying the maximum rate and terms, which must be publicly posted and approved by the Comptroller of the Currency, making severe penalties for any evasions of the law.

The changes herein suggested in the law will enhance the usefulness of the national banks, will add stability to the public credit, and insure to the Government the ability to always borrow at home all the money it may need at a rate not greater than two per cent per annum, and do more than aught else to prevent panics and depressions.

A NEW AND COMPLETE SYSTEM FOR OBTAINING CLEARING-HOUSE BALANCES.

By Mr. Walter Werner of Louisville, Ky.

EACH bank should be provided with two long, narrow boxes, deep enough to contain all the packets of checks, drafts, etc., carried at any one time, one set being arranged around the clearing-house room in pigeon-holes, numbered in order of the banks, prepared to receive the packets brought against each bank. Upon entering the room each messenger takes out the box proper from its slide cover, wherein remain the packets of checks, etc., brought, arranged in the order of the numbers of the banks, being thus in a reverse order from that in which they were placed in the box originally. He sets the box aside, and later in the day the janitor places these boxes, one in each pigeon-hole, ready for the next day's use.

At the appointed minute for the operation of clearing to commence, the manager gives the signal to the assembled messengers to fall in line. Each in passing hands the manager a credit slip containing the various sums of items brought against the other banks, with the sum total thereof, this being his bank's credit for the day. The manager checks his list of banks, or roll-call, as each credit slip is handed him, to see that all banks of the association are represented, noting any that may be late, and fining the same. The messengers then pass on and put into each bank's box prepared to receive the same the packets of checks, drafts, etc., brought against such bank, until he has distributed all his packets, then continuing around to the place of beginning. If the manager finds that all banks are thus represented he immediately gives the signal for the

messengers to make a second round, each taking out his own box of checks, covering the same with the slide cover still in his hand, and passing on out returns to his bank.

Receipts are unnecessary, as each bank takes away as many packets as it brings—always one less than the number of banks in the association. If it should occur that any one bank has no exchange to offer against any certain other bank, it shall nevertheless place a (colored) blank, bearing only its name and number in the association, into that bank's box in order that such bank may also at once understand the situation.

The credit slips should be perforated for easy separation into such number of sections as shall correspond with the form kept by the manager. This form represents the accounts (debit and credit columns side by side) of all the banks of the association, each set of columns headed by the number and name of a bank, and arranged in the order of the numbers from the first section through to the end of the last section; the numbers and names of the banks in the same order being printed also down the page on each section, to the left of the first set of columns. Each section is in charge of one assistant, and consists of such portion of the whole number of accounts as the manager shall consider most advantageous to the quick accomplishment of the result desired. The more banks in the association the fewer will be the number of accounts that should be placed under each assistant. Thus the time required to complete the operation of clearing, and ascertaining the various balances, can be regulated to an extent by the number of assistants employed. The credit slips are then divided into their sections, all of the same sections being handed to that assistant having under his charge the corresponding section of accounts or headings. Each account is then given credit for the total amount it has brought against all the other banks, said amount being found in the credit column on the line bearing each bank's own name on its slip, and being posted to the corresponding position in the bank's

account on the assistant's form. Then each account is debited with all the amounts brought against it as found upon these sections of the credit slips, each debit amount being posted to the line having the name of the bank which has brought such amount. After copying off all the amounts on each small slip, the assistant places in a separate pile all those of the same section. Each small slip bears the number of the bank which has sent the same, and also its section number; thus the original credit slips can readily be put together again if desired. The columns are then footed, and the balance of each account found by deducting the amount of the smaller side from the greater. The manager then has read to him by each assistant, as soon as he has finished his balancing, the various debit and credit balances, copying the same each in its proper line and column. The footings of these two columns must then agree. If they do not, the error must be found in the footings of the assistants. Any error occurring in the amount indorsed upon any single packet shall be rectified between the two banks at interest without reference to the clearing house.

The advantage of this method of clearing lies in the fact that each bank requires but one representative or messenger, and he is detained hardly more than five minutes, in case all messengers are promptly on hand, in accomplishing exchange of packets. The work is then conducted by a few accurate and rapid accountants. Within a very few minutes after the return of each messenger to his home bank it can be ascertained how the bank stands for the day in reference to the clearing house, and provision made at once for meeting any obligation.

Different methods of settlement are in use in different cities, the least desirable being the daily actual counting out of so much money in large and small amounts by each debtor bank, its movement to and from the clearing house with the attendant inconvenience and risk, the recounting and reassorting at the clearing house for redistribution,

and finally the recounting by the creditor banks to whom paid. This represents an immense amount of time wasted.

A general cash office has been suggested, but the plan is not in use. The idea would seem to be the best possible if properly developed. I suggest that this general cash office be a depository limited to the use of the banks and bankers belonging to the association, each bank having there constantly to its credit some amount, any amount, not necessarily large. This depository may be under the charge of the Government, or of any bank of the association that may be agreed upon and designated, its location centrally being desirable.

The manager of the clearing house files with the officer of the depository his daily report of balances, which are charged and credited up to the various accounts thus reported. Each debtor bank not having in the depository a sufficient amount to its credit must then make good the deficit by depositing a round sum sufficient to produce a credit balance; such deposit consisting of legal-tender notes or United States gold certificates of large denomination, or clearing-house certificates, or a certified check upon the depository from one of the other banks of the association, such deposit being entered up in the bank's pass-book with the depository, such as is ordinarily kept by individuals with banks. Banks receiving credit for the day may at their option either allow the credit to remain upon the books of the depository or withdraw in round sums such portion of the total amount standing to their credit as they may desire.

COMPARATIVE STATEMENT OF ACTUAL WORK UNDER PRESENT METHOD AND WORK NECESSARY UNDER NEW METHOD.

(Based on association of sixty-five banks.)

PRESENT METHOD.

	No. of Amounts.
Prepared at home bank—	
Original total credit slips	4,225
Prepared at home bank for proof clerk—	
Individual total credit tickets	65

	No. of Amounts.
Prepared by settling clerk at clearing house—	
Total debit slips	4,225
Prepared by settling clerk at clearing house for proof clerk—	
Individual total debit tickets	65
Prepared at home bank for settling clerk—	
Original individual credit tickets for use in checking back by in case of error	4,160
Prepared by settling clerk at clearing house—	
Individual balance tickets	195
Prepared at home bank—	
Receipt list	4,160
Proof clerk's work	198
Manager's receipts (figures and written out) estimated	32
At clearing house—	
Time of delivery clerk counting number of packages and comparing with settling clerk's sheet	
Total number of amounts written	17,325

NEW METHOD.

Prepared at home bank—	
Original total credit slips	4,225
Prepared at clearing house by manager's assistants—	
Copy of original total credit slips on clearing-house form	4,225
Footings	130
Deductions	65
Balances	65
Proof clerk's work	198
Total number amounts written	8,908

SUMMARY.

Old method	17,325	amounts (each probably nine figures).
New method	8,908	" " " " "
Difference	8,417	

Representing a saving of nearly one-half the work done under the present method.

MEASURES OF MUNICIPAL AND INDUSTRIAL CREDITS.

By Hosea Starr Ballou of Boston, Mass.

THE importance of the subject of credits in comparison with that of money problems simply is apparent when we glance at the clearing-house returns of the country and observe how extremely small, relatively, is the amount of money used in actual business transactions, how largely our business is done on representatives of money, on one or another form of credit, and outside of the province of the clearing house, how largely the improvements of the country are the representatives of borrowed money.

On the 6th day of March, 1893, the 3,806 national banks of the country had in item notes and bills of exchange and like forms of credit granted, $2,145,592,496, constituting more than three-fourths of their assets, and if in this statement were included the State banks and private banks of the country, the total amount could, no doubt, be safely estimated at twice the total given above, namely, over four thousand millions of dollars.

Credit is due to confidence, and "confidence," said Daniel Webster "is a plant of slow growth." Lack of credit is due to lack of confidence, and confidence nothing else can supplant. The loss of confidence, and consequently the loss of credit, is traceable to speculation, to over-capitalization, to stock-watering and bond-watering, to combinations formed in industries to force up prices and restrict production, the latter a disease, which the sooner rooted out, by legislative means if need be, the better it will be for the credit of all industrial enterprises.

Commercial crises are due to expanded credit, then, as a

result of loss of confidence, restricted credit. A crisis is a disease and has its symptoms. The symptoms are these: After a normal condition of trade, in which credit as a rule is prudently used, rarely abused, there comes a rise in price of a commodity, or better earnings of an industry—symptom, a higher temperature; the disease becomes contagious, the temperature becomes higher and higher, a boom in prices is realized, purchasers at bottom prices realize, or can realize, large profits—symptom, a high fever; the utmost credit has been accepted, the lender has caught the contagion, and in his fever readily grants excessive credit; then prices are found to be too high and they fall—symptom, a tremor; prices tumble—symptom, a chill; all become sellers, but no buyers; a panic—symptom, capital and credit gone.

The great commercial crises of this century, in 1837, 1857, and 1873, that swept like a scourge over the European and American continents, occurring in a fancied periodicity, were each distinctly traceable to popular disregard of normal and conservative measures of credit. We do not agree in the opinion held a half-century ago by Andrew Jackson, and contemporaneously by Robert Peel in England, that the trouble is due to excess in bank circulation; nor do we accept the opinion of the Belgian economist, M. de Laveleye, that contraction in credit is primarily due to the inadequacy of metallic money. It matters little whether, with the French economist M. Juglar, we consider the real crisis to consist in the sudden rise in prices and abnormal expansion of credit, or use the phrase in the more ordinary sense as applied to that stage of the phenomenon when the magnificent bubble is pricked and burst, the essential fact in every crisis of this century has been, and always must be, the violent disturbance of equilibrium between supply and demand, fostered first by overweening confidence and then by general loss of confidence consequent upon disregard of the absolute and relatively permanent measures of credit.

We say that there is no more doubt that this city will

meet its obligations in the future than there is of the fact that it has met all obligations in the past, or that this man will meet his obligations in the future than there is of the fact that he has met them in the past; but the argument is not conclusive. The bridge that has always carried us safely over, while it has our confidence, is the bridge that, unless kept in a sound condition, finally breaks down.

For counties, cities, towns, and school districts the rule established for most savings banks and safety fund societies throughout the East is a fairly conservative gauge, namely: (1) that the indebtedness shall not exceed, nor be allowed by law of the State where issued to exceed, five per cent of the assessed valuation for purposes of taxation, excepting the water debt for cities and towns; (2) if a city debt, that the permanence of the city shall be shown by a population of ten thousand to make the bonds a legal investment in Maine, of thirty thousand to be legal in Massachusetts; (3) that the municipality shall never have defaulted on its interest nor contested any issue of its bonds; and (4) if the municipality can comply with all these three conditions, and yet is not located in one of certain old, well-established and prosperous States, its bonds are not accepted under the laws of most North Atlantic States as legal savings bank investments. And it is not enough that the financial statement is good, nor that the laws governing the issue are good. The public sentiment back of the laws, that molds and makes the laws, constitutes the *moral hazard* which of itself sometimes destroys the market value of a bond.

Extremely interesting and valuable bulletins are issued by the Census Bureau at Washington on wealth and indebtedness in 1880 and 1890, respectively, of States, counties, cities, towns, and school districts.

In the decade from 1880 to 1890 the average interest rate for State and local bonded debt in the North Atlantic Division (including the six New England States and New York, New Jersey, and Pennsylvania) was reduced from 5.98 per cent to 5.10 per cent, reducing the interest charge

per capita from two dollars and fifty-one cents to one dollar and seventy-eight cents, or nearly one-third. In Massachusetts, notwithstanding the liability to taxation of one and one-half per cent on capital invested, the average rate of interest on bonded debt was reduced in the decade 1880–1890 from 5.41 per cent to 4.85 per cent; in New York, from 6.22 to 5.01 per cent; in Pennsylvania, from 5.78 to 5.35 per cent.

In the North Central Division (including Ohio, Indiana, Illinois, Iowa, Michigan, Wisconsin, Minnesota, North Dakota, South Dakota, Nebraska, Kansas, and Missouri) the average rate of interest on bonded debt for the decade 1880–1890 was reduced from 6.99 per cent to 5.60 per cent. In Indiana the reduction was to the lowest rate, viz., from 6.74 to 4.75 per cent; in Illinois, from 7.10 to 5.96 per cent; in Iowa, from 7.14 to 5.57 per cent; in North and South Dakota the largest reduction in rate was made, viz., to 6.76 and 6.41 per cent respectively as States from 9.43 per cent as Dakota Territory — a net reduction in rate in North Dakota of nearly three and in South Dakota of over three per cent. This phenomenal gain in credit occurred in the face of an enormous increase of debt in bulk, from $827,823 to $9,578,772 — such an increase as would be expected in so young and rapidly growing communities; and, moreover, notwithstanding an increase of bonded debt per capita from fifty-eight cents in 1880 to one dollar and twenty-three cents and one dollar and twenty-two cents respectively in 1890. Looking at the subject from a purely financial point of view, even although there was a corresponding increase in resources (for the census report on assessed valuation shows there was an increase in North Dakota of 792.21 per cent, and in South Dakota of 1,040.82 per cent), this increase in credit can be due only in small degree to average reduction in current rates of interest, which for the whole country (national debt aside) was from 6.17 to 5.29 per cent (a gain of eighty-eight hundredths of one per cent), and for this division of States from 6.99 to 5.60 per cent, a gain of 1.39

per cent for the decade in the average rate of interest. No doubt the admission of North Dakata and South Dakota to statehood in the decade under consideration had a pronounced effect in the improvement of the credit of these communities. In becoming States, a large measure of stability was assured to the laws and the institutions. The citizens thought better of themselves, added to their self-esteem, became more thoroughly law-abiding, more mindful of the property and the rights of others — even those at a distance — by becoming citizens of a State with a voice in the government of the nation.

Still I suspect the effect of statehood on public and private credit is often exaggerated, and that equitable laws for the time being (for no laws can be *ex post facto* in their operation), the means of securing justice in the courts quickly and cheaply — although there is still ample room in these and other Western States for improvement in these respects — permanence of social and industrial development, a high public sentiment, and a sturdy sense of honor count for more as basis for credit than the mere fact of statehood; as instance the reduction in average rates of interest on bonded debt in the following Territories for the decade 1880–1890, viz., in Arizona from 10 to 7.37 per cent, in New Mexico from 8.33 to 6.59 per cent.

To give these figures their exact value we must stop to consider that (1) in some States bonds are and in others are not exempt from the heavy burden of taxation in the hands of a resident investor; that in New York and several other States the rate is reduced by exemption from taxation of such municipal bonds when in the hands of a resident holder, whereas in Massachusetts and some other States the resident holders of the bonds are legally liable for an average of about one and one-half per cent to the tax collector, that is one-half to one-third of the total income, instead of one-fortieth, as on bonds in England that are not exempt from the income tax of six pence on the pound; (2) that the basis of assessment is not uniform.

In Boston the assessed valuation is intended to be the real value of the property. Property is supposed to be assessed for its full valuation, but in point of fact central store property sells for from ten to twenty-five per cent more than the assessed valuation, and outlying residence property in unfavorable or neglected wards of the city sells for not more, and often for less, than the assessed valuation. A different rule prevails in Connecticut; still another in Iowa, where the basis of assessed valuation for purposes of taxation is considered to be one-third of the supposed selling price, and where also five per cent of the assessed valuation was fixed as early 1857 as the legal limit for debt; and in Nebraska cities, like Omaha and Lincoln, the assessed valuation is estimated at one-fifth to one-sixth of the supposed selling price of real estate, where, however, the legal limit of indebtedness is not five but ten per cent of the assessed valuation for purposes of taxation. Thus the five per cent limit in Massachusetts is the equivalent of one and sixty-six one-hundredths per cent in Iowa, making Iowa bonds, *ceteris paribus*, the more desirable by above ratio, i. e., as three to one; and (3) the equally qualifying consideration, what percentage of the bonded indebtedness outstanding consists of "long bonds," without option of earlier payment, issued many years ago at higher rates of interest than are now current for the respective borrowers. Thus in 1889 the City of New York sold $12,931,638 long-time two and one-half per cent bonds at par or a premium; and to determine accurately the quality of the city's credit in 1889, we must bear in mind that the city of New York could have refunded at two and one-half per cent her $25,980,000 sevens, her $36,279,040 sixes, her $17,385,846 fives, and a large amount of fours, if those bonds had matured or had contained an option clause permitting the city to pay them at par and interest before maturity. It is estimated that in 1890 the State and local indebtedness of the United States could have been refunded on an average three and three-fourths per cent basis.

Granted that the enormous — almost incredible — increase of wealth in the United States in the decade 1880–1890 is largely responsible for reduced rates of interest on bonded indebtedness — for improved credit — as necessarily follows from the law of demand and supply, viz., from an assessed valuation in 1880 of $16,902,993,543 to $24,249,589,804 in 1890, or an estimated true valuation in 1880 of $43,642,000,000, in 1890 of $62,610,000,000; still bear in mind as bankers that you always grant the most favorable rates of discount to those customers who, while increasing largely their resources to your certain knowledge, still ask for less and continually less accommodation. It is this the individual States, the counties, cities, and towns, as a rule, as well as the United States, have done. While foreign countries, in a decade of peace, have increased their national debt from $25,484,492,879 in 1880 to $26,621,222,135 in 1890 (being, however, a reduction per capita from $35.62 in 1880 to $32.88 in 1890), the national debt of the United States was reduced in the decade from $1,922,517,364 to $891,960,104, or from $38.33 to $14.24 per capita, of which, moreover, nearly one-half consists of non-interest-bearing notes. I need not remind you that during the decade it contributed largely to public improvements and dealt out its bounties to the pensioners of the late Civil War with a generosity never before paralleled in history.

It illustrates emphatically to nations forced to maintain expensive armament in times of "diplomatic peace," perhaps, the most visible blessing of what, for lack of a better name, I term natural peace. All laborers work, money is earned and an increment saved, debts are paid, the citizen gets a larger share of the benefits from life and property; and in terms of finance, securities are more secure. In the decade State debts were reduced from $297,244,095 to $228,997,389, a total decrease of $68,246,706, or from $5.93 to $3.66 per capita. County debts were largely decreased in the North Atlantic States with one exception, Massachusetts, where the county debt was increased from $1.37 to

$2.13 — to $4,051,830 — principally for the new Suffolk County Court House of Boston; in the South Atlantic and South Central States the county debt was slightly increased; in the North Central and Western States it was largely increased; but the county debt for the country showed a reduction from $2.47 to $2.32 per capita. Municipal debts made a small increase in the decade, from $684,348,843 to $724,463,060, but a decrease per capita from $13.64 to $11.57.

For education the typical American has always, for over two and a half centuries, been willing and glad to spend liberally of his means, and so it happens that school bonds issued to build school-houses have always proved to be good bonds. The school district debt increased from $17,580,682 in 1880 to $36,701,948 in 1890, although this phenomenal increase means an increase from thirty-five cents to fifty-nine cents per capita only. It is money well spent, and if the principle of increasing debts for the benefit of our children, which they shall be bound to help pay, is a sound principle, it is doubly valid when they in the main are to be benefited. At all events, it seems to be the national policy to make the rising generation help pay for their own education.

If it is the true ideal that cities and other municipal corporations should be conducted purely as business organizations, and wholly divorced from political manipulation, then it follows conversely that the rules that have almost uniformly throughout the country been adopted as conservative and sound should be applied as the ideal in industrial undertakings. No doubt the adoption of such rules means a revolution in current business methods. It means tremendous contraction of credits. The immediate adoption of such rules would mean a financial panic. Indeed almost a panic has been precipitated by contraction of industrial credits in the past few months, although in calling loans to keep the banks in a strong position, in view of the reduction of deposits due to hoarding of money, bankers with whom I have talked the past six weeks in

New York, Chicago, Boston, Philadelphia, Omaha, Denver — the country over — have exercised the utmost precaution, as a rule, to avert disaster and to call loans gradually, and only such loans as borrowers in a sound and healthy condition would be able to meet. But the country at large is suffering, not only from popular distrust, due to the failure of the Fifty-second Congress to repeal the Sherman Act of 1890, but almost in equal degree from the disproportionately large volume of business done on borrowed capital.

No less an experienced financier than a recent Secretary of the Treasury admits that at present "business is largely done with borrowed money." This is true of a large percentage of merchants, manufacturers, and a larger percentage of semi-public enterprises like railways and telegraphs, but the representatives of the great agricultural interests of this country are less indebted than the representatives of almost any other important branch of industry; indeed, even the farmer of the North Central States, the census bulletins show, is more largely a creditor than a debtor.

Statistics that I have quoted show — what we all know from observation — that the country is enormously rich, but the weakness lies in the small percentage of actual wealth employed in industries that belong to the managers, promoters, and stockholders, and the large percentage represented by bonded and floating indebtedness. In what percentage of industrial concerns with which you are familiar do the net debts outstanding fall within five per cent of an honest capitalization? What ten per cent? What fifty per cent? What ninety-nine per cent? In what percentage of manufacturing concerns numbered among your borrowers are you able, with certainty, to form an approximate idea of assets and liabilities? Of raw material used and prices paid? Of help employed and prices paid? Of amount of product sold, and at what price and on how long time? Of the net profits month by month and year by year? All these and other vital facts are brought

out by the statistical returns of manufactures in Massachusetts and other States. Are they reliable? If not, is it feasible to make such reports, under proper supervision, reliable and available for the use of lenders as a basis of credit? It is often said when a borrower finds it necessary to make public a statement in order to get accommodation, "look out." Are statistical reports as basis of credits open to the same objection? These are questions I will not undertake to answer. I only put them forward as suggestions. The adoption of such a system of State supervision of industrial credits would be another step in the direction of centralization. The political philosophy that liberty of action means license would suffer another shock. But if the system of State supervision that has proved so beneficent in matters of State, county, city, and school debts can be adapted and applied to industrial enterprises, both large and small, and in some simple form that will not be too cumbrous for ready use, such a system will not only tend to restrict speculative industrial borrowing, but if as reliable as its prototype, the system would lift a heavy load of responsibility off the shoulders of bank officers and directors. It would reduce largely the losses every year now suffered in the loan account, and in reducing to a minimum the difference in quality and certainty that has existed between municipal and industrial credits, by submitting both to substantially the same measure, the industrial borrower must be largely benefited in the consequent reduction in current rates of interest.

WOMAN AS AN INVESTOR.

By Mrs. Charles Henrotin of Chicago.

THERE is no more potent sign of the times than the fact that woman is attracting the attention of the financial world, and that her large property interests are being recognized as an integral part of the so-called "Woman Question." She has always been recognized as a worker, but as a worker along the lines in which her financial rewards did not render her subject to special consideration in the moneyed world. Now, however, all this is changed; the money she earns, or the savings which she accumulates, are invested in moneyed institutions, as building and loan associations, real estate, insurance, railroads, and banks.

The largest amount of money invested by women is undoubtedly in real estate and mortgages on real estate. The amount thus invested is in the hundred millions. In some of the Eastern cities, New Haven, Providence, and Hartford, the amount of real estate held by women in their own name, or in trust for minors, is enormous, and is usually the best-paying property in the city. I shall make an effort to ascertain an approximate estimate of the value of real estate throughout the country owned by women. If I can secure the co-operation of the recorders I can make a statement which will be most interesting.

Mr. Ethelbert Stewart reports from the Bureau of Labor at Washington as follows: "The relative numerical position of men and women as investors in building and loan associations is as one to four; that is to say, twenty-five per cent of the building and loan shares of stock in the Eastern and Middle Western States are owned by women. In New

Jersey every fourth shareholder is a woman, as is seen from the figures. Total, 78,725 shareholders; 58,496 males, 19,241 females; 988 corporations and firms; percentages, seventy-four, twenty-five, and one respectively. The 'present value' of the shares held by women in New Jersey is $6,401,593. By 'present value' is meant dues paid in, together with accrued profits. Of the borrowers, or those who are securing homes for themselves by means of building and loan associations, in New Jersey, twenty-two per cent are women, i. e., 4,187 women are buying property in their own names through building and loan associations. In New York State 32,699 women hold 261,784 shares of stock, having a present value of $5,935,554 and a maturity value of approximately $25,000,000. The total membership of these societies in New York is composed of twenty-four per cent women, though only about twenty per cent of the stock is held by women. In the city of Philadelphia 34,400 women hold stock valued at $10,059,861; while the stock matured and withdrawn, either in money or canceled mortgages, equals $15,000,000 more within the past 'maturing period' of eight years. In the State of Pennsylvania $22,000,000 worth of building and loan stock is held by 92,000 women. Of the $960,000,000 representing the net assets of building and loan associations in the United States $92,000,000 worth is held by 2,400,000 women. The laws of Illinois, New Jersey, New York, Pennsylvania, and many other States make building and loan stock taken out by women, when the dues upon said stock is paid by them, theirs in every particular, and not subject to attachment or execution for their husbands' debts."

The question of the source from whence dues paid on shares held by women comes is one that can not be answered in a very comprehensive way. One association in New York City visited by the writer had sixty-three chambermaids among its membership, each earning by her own labor the money invested. In a teachers' building and loan association in New York City ninety per cent of the mem-

bers were women earning their own money, and many of them having built several houses for rent through the association. In Buffalo, N. Y., I asked twenty-seven women who came in to pay their dues how they got the money. Twelve replied that their husbands gave it to them. One said her husband supported the family and she swept a large house for a wealthy lady twice each week and invested the earnings in building and loan stock. Another baked bread for three different families, and thus earned the money invested in dues. Five others earned the money themselves by various extra domestic jobs, such as sewing or washing for a neighbor. In all seven married women earned their own funds, twelve did not, and the remaining eight were unmarried and worked for their living. I have attended the meetings of scores of building and loan associations, and asked the female members as they came in to pay dues what their source of income was, and I believe that less than fifty per cent of them derive their money from their husbands; that is to say, 1,350,000 women are investing in building and loan stock the money they earn themselves, and this self-earned money, as distinguished from the total held by women, is, at a low estimate, $86,000,000. "Each State varies naturally according to its geographical position, population, and financial importance. Women investors in building and loan associations are usually working-women, or the wives of working-men. A great many clerks and school-teachers invest in this manner, as building associations hold out to them the prospect of obtaining a home, which is the goal of woman's endeavor; for almost every woman has some one for whom she desires to create a home, if not her own children, then parents, or a sister, or a brother; in fact, this is the strong motive among working-women, and to attain this end they walk many a weary mile, and deprive themselves of many a pleasure. The effort among manufacturers in some cases to induce their employes to purchase land of the company and to assist on the building of a home thereon is not a wise

one, in that the buyer of the land becomes more or less dependent on the company for which she works; but building and loan associations stand free, and thus the economic conditions of the woman are not disturbed by her investment. By 'economic conditions' I mean that her investments are not held over her head as a threat to influence the market value of her labor. Women should exercise great care and do their best to ascertain from a reliable source the financial status of the associations in which they desire to invest. From observation one would be inclined to say that the most careless people in the world in their investments are working-women, for they usually depend on the advice of some friend, a doctor or a clergyman, both proverbially poor business advisers, as to the institutions in which they should place their hard-earned savings; and after investing them they continue to advise others to place their money in the same institutions. It is a common thing, for instance, to find that all the employes of a firm or family have invested in the same institution, or purchased adjoining lots."

The phenomenal rise of the building and loan associations is largely due to the fact that people understand that form of investment; that it means something to them; in a word, that it is tangible and simple, and they receive a little book in return for their money, which is a great comfort to them, and also that they are obliged to go once in so often to pay an assessment. To simple people who rarely reflect this habit means a good deal. But to turn to another class of investors, of whom very little has been said in the past, and who are more or less quiescent factors in the financial world, having but little to say for themselves and generally expressing that little through the third party — in other words, voting by proxy holders of bank stock.

The tremendous financial power which women might become in this country they have never as yet realized. At my request Mr. Hepburn, the late Comptroller of the Currency, sent out to the national banks a request to furnish

him with a list of women holding bank stock, and the statistics which he collected were sent to me by Mr. Eckels, his successor. An interesting point is that the large amount of stock in banks owned by women does not come to them as a reward of their own labor, but is usually given by some relative. The tendency of men to put their money in the hands of women is becoming a very pronounced one; also most husbands and fathers consider bank stock a safe investment to leave to women. It is easily managed, the income is usually an assured one, and in the present status of woman's information on financial matters it does not require very much ability to draw little slips of paper against a definite sum; consequently that is regarded as an easy way of disposing of their future, and this is the point of view to be combatted. Were the women of this country once to realize their power, the sense of ethical responsibility born of power would rise within them. They would no longer content themselves with giving their proxy and never voting themselves or attending a stockholders' meeting. Many of the great financial difficulties of the country come from the fact that the women realize in no manner its financial condition. When one-half of the population, largely the spending part, are thoroughly informed of the manner in which the money they spend is earned, they will no longer be content to spend without knowing where the money comes from. It is imperative to my mind that woman should now take a new stand in the financial world and be informed as to the financial condition of the country; and not only that, but she should have that sense of responsibility which would make her attend the meetings of the institutions in which she holds stock, and vote to the best of her ability for good men or women, as the case may be, as directors.

There is also another side to this. The men are constantly saying they are overworked. This is made the excuse for the bad management of many corporations. There are a large number of intelligent women in this

country owning great financial interests. These women would make excellent directors; they are conservative; with a little exertion they could acquire the requisite knowledge of finance, and then relieve the men of some of the tremendous burdens from which they now suffer.

One of the best-known bank examiners of the country has said that the failure of many banks is due to the fact that the large number of business men, or men in active outside business, who are officers of banks, are so busy they have no time to devote to the affairs of the bank, and are often more surprised at the failure of the bank than are outsiders. This is especially the case in country banks. Farmers delight in being the directors of banks, but these directors are often so scattered that they rarely have a quorum present at business meetings, so they absolutely know nothing of the management of the bank. Now in most of the small towns where banks are situated there are three or four women possessed of good fortunes and great leisure, and living as they do in the town could easily acquire the necessary information to become useful bank directors, for while the business situation is most complicated in the city, in the country it is very easy to gain the requisite information to enable one to judge of a firm's or an individual's credit.

Before continuing further I will give the figures of the Comptroller of the Currency. It must be borne in mind that these figures represent only the national banks, and not all of them. The statistics in regard to State banks are still to be obtained, and there are, moreover, the private banks, from which it is difficult to obtain any reports whatever.

This article will be followed by others giving statistics covering a wider range, this being but the prelude to extended investigations. Nothing is harder to collect than statistics—it takes a great deal of time and effort; but this table will serve to demonstrate how important a factor are women investors in modern civilization.

STATEMENT.

SHOWING, BY STATES AND TERRITORIES, THE NUMBER OF SHARES OF NATIONAL BANK STOCK OWNED BY WOMEN APRIL 15, 1893, AND PAR VALUE OF SAME. ALSO THE NUMBER OF WOMEN EMPLOYED IN NATIONAL BANKS ON SAME DATE, AND AMOUNT OF SALARIES PAID TO SAME.

STATES AND TERRITORIES.	Number of shares owned by women.	Par value of shares owned by women.	Number of women employed.	Salaries of women employed.
Maine	27,343	$ 2,240,905	6	$ 2,296
New Hampshire	13,635	1,350,493	11	4,541
Vermont	25,633	1,719,666	6	2,550
Rhode Island	126,931	5,593,770	2	1,000
Connecticut	68,774	4,922,786	5	1,526
New York	264,053	18,317,471	44	18,952
New Jersey	56,894	3,604,290	3	1,106
Pennsylvania	267,779	17,267,184	26	10,723
Delaware	12,768	755,075	1	360
Maryland	119,886	3,739,205	1	416
District of Columbia	3,349	334,900	1	60
Virginia	7,174	717,400	----------	----------
West Virginia	4,316	422,366	----------	----------
North Carolina	7,351	549,250	----------	----------
South Carolina	3,799	379,910	----------	----------
Georgia	5,932	589,380	2	1,200
Florida	988	98,850	1	60
Alabama	31,962	698,700	----------	----------
Mississippi	1,560	156,000	----------	----------
Loujsiana	4,174	417,475	2	1,560
Texas	213,265	2,326,570	3	1,700
Arkansas	1,477	147,700	1	600
Kentucky	32,331	5,085,580	6	2,680
Tennessee	15,404	1,496,400	4	3,900
Ohio	100,547	10,381,631	23	9,399
Indiana	30,255	3,025,558	24	11,510
Illinois	58,927	5,892,780	27	14,859
Michigan	24,850	2,464,091	11	5,780
Wisconsin	11,849	1,083,675	12	5,116
Iowa	16,306	1,620,488	21	9,593
Minnesota	29,563	3,032,177	13	5,640
Missouri	30,775	3,110,650	15	9,520
Kansas	10,008	1,061,088	21	8,820
Nebraska	8,927	903,318	19	10,090
Colorado	5,187	518,700	4	2,520
Nevada	----------	----------	----------	----------
California	12,805	1,310,575	6	5,280
Oregon	2,093	224,800	4	2,400
Arizona	30	3,000	----------	----------
North Dakota	2,988	302,820	9	4,320
Idaho	393	39,300	1	600
Montana	2,427	242,700	3	2,900
New Mexico	1,112	111,200	----------	----------
Oklahoma	79	7,900	----------	----------
Indian Territory	330	33,000	----------	----------
Utah	3,229	322,900	----------	----------
Wyoming	2,192	219,200	1	500
Washington	5,898	590,213	8	4,376
Total	1,703,759	$130,681,485	383	$185,797

The statistics on women as bank employes show that but a small number have entered banking offices, though women are admirably fitted for such employment. The work is well systematized, the hours fixed, there is no night work comparatively speaking, and they are very expert in the handling of money. I have written to many women bank cashiers in this country, and I have received many interesting letters, among others one from Mrs. Annie Moores, president of the First National Bank of Mount Crescent, Texas. She says that she had never had her attention drawn to this point before, but that she immediately made it a subject of investigation, and was perfectly amazed at the result. She happened at the time she received my letter to be in Virginia, and her first investigation was in the county of Suffolk. She found that eight stockholders of the Bank of Monsmont were women, possessing by inheritance one-third of the stock, which they all voted by proxy. Further investigation has proved that two-thirds of the national bank stock of this entire county of Suffolk is owned by women. Mrs. Simpson, who is president of the Simpson Bank, of Columbus, Texas, gives very much the same figures, and adds that women, to be capable of investing funds wisely and judiciously, must be possessed of three essential qualifications, to wit, a knowledge of matters of finance, self-confidence, and. firmness. She states that all that is lacking to woman's financial success is the acquisition of knowledge of financial matters, and that it is only by using the responsibility already in her hands that she can acquire the self-confidence and firmness requisite for prudent investors.

The key-note of the relation of the sexes is really a financial one. This may appear a very materialistic view to take of the situation, but the readjustment now in progress between the relative position of the sexes is largely of that character. Life was comparatively a simple thing when the law recognized but one head to the family, of arbitrary power over its goods and chattels. The position of a mar-

ried or unmarried woman in the household was that of a dependent. She was expected to marry, feeling that the family had a right to her services without remuneration. Under this primitive system, protected by the English common law, the family was really presided over by the father. No one acquainted with the social life of the country and of England forty years ago can deny this fact. The wife, in many cases the active partner of the concern, had absolutely no financial independence. Most of the young women of that day employed themselves in household work, some taught school, some went out as seamstresses and dressmakers, and their wages were largely appropriated by the younger members of the family, to help the boys through college or for current expenses. Only a widow, and she in a very limited sense, ever thought of commerce, and no consideration was given to women as investors, "their nearest in kin among men" doing the investing for them. Within the last thirty years public opinion, and the laggard that always follows it, the law, have revolutionized the financial standing of women.

The Code Napoleon was the forerunner of the financial emancipation of women, recognizing, as it did, her financial status as a partner in marriage; consequently French women are financiers, and are more largely engaged in commerce than the women of any other nation, and not as employes, but as employers and partners. Because the code conferred on them early in the "woman question" a financial standing, far from being a source of danger to the family, it has proved in France to be the surest foundation on which the family can be established.

The baneful influence of the English common law in regard to marriage can never be overestimated, creating, as it has, between husband and wife the feeling that the finances are exclusively in the hands of the husband; so that money is an unfortunate subject to be discussed after marriage, and one to be scrupulously avoided before marriage. Many a girl marries a man ignorant of his

financial resources, and most men in this country marry a woman without any discussion as to her financial prospects from herself or her family.

The constant tendency of modern legislation is to rehabilitate the family as a partnership; and while the laws relating to the property of married women have been modified and liberalized until her position is approximately one founded on justice, these laws are of so recent enactment that the feeling of ethical responsibility as to the making, managing, and spending of money is not yet developed. Bank stocks are also largely in the hands of widows of a certain age, women who are not conversant with the needs of the younger generation, and consequently carry out old-fashioned methods of giving their proxy to any man who desires to vote it. If once the feeling of moral responsibility toward the financial interests of the country could be aroused in woman, it would be greatly to the interests of the country. In her heart of hearts she dearly loves a plain statement, especially about financial matters. She hates to be in debt, and extended lines of credit present no charms to her. She would be a tremendous conservative factor could she once undertake the management of financial affairs. The French woman of to-day is conservative; her constant participation in the commerce of the nation is creating of that country the financial stronghold of the world, prosperous, wealthy, and economical.

I am not one to clamor for laws favoring the financial independence of women, and which are virtually aimed at her further enslavement. Too much protection is often dangerous — I mean that protection which weakens the judgment. Her estate should be equally liable with that of her husband's for the living expenses of the family, but not for his personal debts, and where her money is being employed in the business she should be given the rights of an acting partner, and sufficient time allowed her at her husband's death to wind up the partnership affairs or create a new partnership should she so desire. There is no

reason why a woman should not go into business with her husband. It is a mistaken idea that business should not be discussed at home, and a far greater mistake for a woman not to have the right of entrance at her husband's office. A woman is a thousand times a better companion to her husband and family if she knows the finance of the country as well as the finances of her home, if she can discuss the whys and wherefores of the market, and standing a little outside, with full knowledge of the inside, renders her an invaluable counselor; and then the security which a man feels at his death, knowing he leaves women capable of managing their own business affairs and using to its best advantage the small or large property which he leaves behind him.

THE FREE COINAGE OF SILVER.

By Hon. Davis H. Waite, Governor of Colorado.

THE effect of the gold conspiracy, which has denied free coinage to silver since 1873, has been to increase the purchasing power of money, or, to put the statement in another form, to decrease the value or price of all commodities. As the direct result of the legislation of the past twenty years, the value of money, of bonds, mortgages, and all evidences of debt has increased since 1873, until their face value will now purchase double the amount of all staple commodities that it would then. Silver bullion in 1873 was actually at a premium over its United States coin value, being worth the French ratio of fifteen and one-half to one; but when demoralized or denied free coinage by the French and United States governments bullion silver became a commodity, and, like all other commodities, its value since that time has depended upon the abundance or scarcity of money in circulation.

Abraham Lincoln said: "If a debt is created with a certain amount of money in circulation, and then the Government contracts the money volume before the debt is paid, it is the most heinous crime which a government can commit against the people." This is precisely what the Government of the United States has been doing since 1873.

Legislation, not positive but negative, since 1873—the refusing of free coinage to silver—has increased the ratio of its value as bullion compared with gold, or the money dollar, from sixteen to one to twenty-two and one-half or twenty-four to one. It has not only diminished the value of silver bullion, but has also diminished in almost the same

proportion the value of wheat, corn, pork, beef, cotton, and the wages of labor.

Said Mr. Balfour, a member of the British Parliament, in a speech at Manchester: "The gold monetary standard in some fifteen or sixteen years has gone up no less than thirty to thirty-five per cent, and as to its further rise in value no man can see the limit." Mr. Samuel Smith, also a member of the British Parliament, says: "Landlords, manufacturers, and trades too, have suffered severely. The factory owner, the mine owner, and ship owner who thought it safe twenty years ago to borrow half the value of his plant in order to find capital for his business, now finds that the mortgagee is the virtual owner. Nearly all the profits go to pay the mortgagee's claim, and in many cases he has foreclosed and sold out the borrower, ruined through no fault of his own, but solely through the extraordinary sinking of prices. If all the fixed capital engaged in trade in England could be valued to-day at its real selling price, it would but little more than pay the mortgages and debts upon it." Richard Lacy Everett, another member of the British Parliament, wrote under date of July 24, 1893: "The one great supreme aim of the moneyed classes and the London press is to restrict the supply of money, so as to enrich the owners of it at the expense of the raisers of produce, the owners of land and other real property."

In May or June last Mr. Gladstone was told by Mr. Thompson in the British Parliament that the gold standard was crushing out the agricultural and commercial industries of England by compelling business upon a falling market; that the debtor class was being reduced to industrial slavery, and that the taxes of India, while nominally the same, forced from its people double the amount of their products which a few years ago paid the tax. Mr. Gladstone's reply was that governments were not conducted on humanitarian principles, and that Great Britain, because a creditor nation to which all other nations were indebted, could stand any amount of appreciation in the value of its

credits. This was said in the face of the fact that at some period of the year one-third of the population of England are the recipients of public charity, while two hundred millions of British subjects in India are left in times of pestilence and famine to starve, with as little care or concern as if they were cattle.

Money is useless except as a medium for the exchange of commodities. It is a convenience established by law to overcome the crude and time-wasting system of barter in vogue in barbarous and semi-civilized countries. The financial system of a country is a test of its civilization. Decreasing the volume of the currency while the increase in the exchange of commodities demands an increase is certain to drive the currency to a premium, and its possessors are benefited at the expense of the masses of the people.

It is true that the silver question in one sense is a local question. Colorado and other Rocky Mountain States have a local interest in its production which the non-silver-producing States do not have. In about one-half of Colorado the main product is silver, and it is not denied that there has been a local loss in consequence of the denial of free coinage to silver. The loss by the depressed price of silver bullion during the past fifteen years, while silver has been one of our chief productions, has been about eight millions of dollars per annum; but the loss in Colorado upon agricultural products has been equally great, for their value has *been reduced by the same contraction of the currency that has affected the value of silver bullion* to less than the cost of production. Silver as bullion is in one sense a local product, but coined into money it has a general and national importance. The denial of the free coinage of silver has been a great factor in producing that scarcity of money which has so diminished the value of all commodities.

Its injurious effects were alleviated to some extent by the Bland Bill, but the proposed abolition of silver except as subsidiary coin strikes out of existence one-half of all the

metallic money of the world, and necessarily still further appreciates the purchasing power of the dollar, and still further diminishes the value of commodities. Had gold been demonetized in 1873 instead of silver, and had silver still retained its right to free coinage, who can doubt that the value of gold would have appreciated?

The decrease in the production of gold, the increased demand for it as a money metal caused by the great increase of national and international trade during the past twenty years, and the fact that the silver half of metallic money has all but been abolished has created an extraordinary demand for gold, which has increased its value beyond all reason and to the injury of all other forms of production. To remedy this evil is the aim of the advocates of the free coinage of silver.

It could be proved from official statistics that the loss to the agricultural States from the scarcity of money, in good part occasioned by the refusal of the free coinage of silver, in each State in the great Mississippi Valley is from ten to twenty times the loss sustained by Colorado.

At the close of the Civil War our national debt was $2,700,000,000. We have since paid about $2,000,000,000 of the principal of that debt. In interest and premiums not far from $4,000,000,000 have been paid, and yet at this time, during the panic which the two old parties have brought upon us, it would cost the American people as many pounds of cotton or pork or beef, or as many bushels of wheat or corn, to pay the present remainder of our national debt as would have been required in 1866 to pay the entire debt.

What has become of this vast sum — six thousand millions of dollars — taken during the past twenty-seven years from the taxpayers and producing classes of the United States? And yet the principal of the debt is practically undiminished!

Silver was worth one dollar and twenty-nine cents an ounce when it was demonetized. Restore free coinage, open the United States mints, let the miner take his bullion

to the mint, let it be coined into American silver dollars to be paid over to the bullion depositors, and, practically, you restore silver bullion to its coin value. As a corollary, the prices of all commodities will rise.

The Sherman Act at one time raised the price of silver bullion to one dollar and twenty cents per ounce, and with that came also a corresponding increase in the price of wheat and all other staple productions. Yes, we demand one dollar and twenty-nine cents an ounce for silver, and we demand also one dollar and thirty cents a bushel for wheat, sixty cents a bushel for corn, eighteen cents a pound for cotton. We demand for the laboring man such prices for his labor and for the mechanic such prices for his handiwork as shall not only, from the avails of business, decently support themselves and their families, but also give to their children those educational advantages necessary to the proper performance of the duties of American citizenship.

Much is heard about the dishonest dollar — the sixty-cent dollar. In fact this, with many, is the entire argument. It is true, as compared with money, whether gold, silver, or their certificates, or greenbacks, national bank bills, or treasury notes, the value of silver bullion in the legal silver dollar has been reduced to seventy cents, and even less, but it is only true of silver bullion as compared with money.

As long as the free coinage of silver was in force in the United States and France the value of silver bullion fluctuated between the ratio of fifteen and one-half to one and sixteen to one. It never rose higher than the French ratio and never fell below the American. This is an important fact in the discussion of this question. But immediately upon the demonetization of silver in 1873 the value of silver bullion began to fall — almost uninterruptedly — until at this time it is but little more than one-half what it was when demonetized. Although it is claimed that the great fall in the price of silver is due to the enormous production in the United States, its production throughout the world

has no more than kept pace with the increase in the production of other commodities. Before the great increase in production had commenced its price had fallen twenty cents an ounce, and considering that the production in the United States is but little more than one dollar per capita per annum, the production can not be the cause of the onslaught upon it as a money metal and the consequent fall in price. As compared with the price of every agricultural or farm product, an ounce of silver will buy as much wheat, or corn, or oats, or beef, or pork as it would have bought in 1873, when silver bullion was worth its coin value in France, and such has been the case almost to a fraction every year since 1873. The decline on silver bullion has kept even pace with the fall in the value of all staple commodities, which establishes beyond contradiction that this decline in the value of all commodities, including silver when deprived of the right of coinage, and thereby made a commodity, is in accordance with a general law, and that law has long been an axiom of political economy, viz., that the value of money and of all staple commodities depends upon their scarcity. When money is plentiful its value or purchasing power diminishes, and the value of all staple commodities appreciates, and *vice versa.*

It is now proposed by the false friends of silver, the allies of monopoly, to adopt the present price of bullion silver as compared with gold as a new money ratio. Such a compromise will simply crystallize all the wrongs and injuries inflicted upon the people during the past twenty years by the money power. It declares the wrongs and injuries condoned, and denies any remedy in the future. It says to Wall Street: "You have a good right and title to all the wealth you have filched from the people — now take a new start and see if in the next twenty years you can't rob the people of twice what you did in the past twenty years!" And this is called a compromise!

Its advocates dare not argue such a compromise upon its merits, and they hide behind an international conference,

as representing the combined wisdom of all civilized nations! The future historian will record with shame that the two great political parties of this country in 1892 agreed in their national conventions upon the unpatriotic and un-American policy to submit legislation upon financial questions to the advice and consent or to the dictation of foreign governments.

Mr. Cleveland's policy, as outlined in his call for a special session of Congress to convene on the 7th of August, 1893, is against silver as money, and threatens its total destruction as coin, except for subsidiary purposes. Enforced, that policy will shut up the mines, destroy the mining towns and cities, and drive the miners of all the Rocky Mountain region bankrupts upon a cold and unfeeling world. Already the illegal act of a department Treasury clerk, in practically repealing the Sherman Act by a refusal to obey its positive mandates in the purchase of silver, has occasioned a premature disaster in forcing down the price of bullion silver, in shutting down many mines in Colorado, and turning the miners out of house and home. Mr. Cleveland's claim that the repeal of the Sherman Act or the substitution of a new and increased ratio for silver is in the interest of the working-people of the United States, in giving them an "honest" dollar, shows a lamentable ignorance of the fact that an increase of the currency has always been in the interest of the toilers of the East as well as of the West. The wages of labor can always be increased on a rising market more easily than retained on a falling one. With the increase in the price of commodities will come an increase in the wages, and, owing to the general increased demand for labor, the purchasing power of the new scale of wages will equal if not exceed the old. And any financial or governmental system that does not deal out justice to the great masses of the toilers will, sooner or later, meet its doom.

I affirm as a general principle that in a time of profound peace, and unvexed by pestilence or famine, in a land of

such unparalleled advantages of soil, climate, and productions as the United States possess, if for any long period the value of farm lands depreciate, the prices of staple products and the wages of labor diminish, wealth aggregates in the hands of the few, and the only sure profit for investment of capital is usury, such a land is necessarily misgoverned, and it is the solemn duty of the people to remove such an administration from power.

THE INTERNATIONAL MONETARY CONFERENCE OF 1892.

By Hon. Henry W. Cannon of New York.

FROM the foundation of our Government gold and silver have been the money of the people of the United States, except during the period of our Civil War, when we had to resort temporarily to a paper currency. There is to-day in the United States over six hundred millions of dollars in gold and four hundred millions of dollars in silver, coined at a ratio of one to sixteen, performing the functions of money side by side. We have maintained, and will continue to maintain, our gold and silver money on an interchangeable basis. Nevertheless, the people of the United States view the increase in the value of gold and the decrease in the value of silver as a serious and disturbing factor in all trade relations.

It is not my intention to rehearse the history of the fall in the gold value of silver during the past twenty years, with which you are all familiar, further than to say that, starting with the demonetization of silver by Germany, growing out of the legislation of 1871 – 1873, the mints of Europe have been closed, one after another, against silver coinage until, at this time, *not a silver coin of full debt-paying power is struck for individuals on the continent of Europe.* For nearly a century prior to 1873 the relative value of silver to gold in purchasing power in the commerce of the world remained practically constant at about fifteen and one-half to one. During this period the mints of most of the countries of Europe were open to the free mintage of silver of full debt-paying power. Since 1873, in the brief period of nineteen years, with the mints of Europe closed to the

coinage of silver, its commercial value, as measured by gold, has depreciated over thirty-seven per cent, in spite of the efforts of the United States (acting in monetary isolation among the great commercial nations) to use silver as a money metal.

As no international discussion of the monetary situation had taken place since the Conference of 1881, the United States Government, believing that monetary evils existed throughout the world and that they were largely occasioned by the demonetization of silver in 1873, which prevented a natural increase of metal money from time to time as the business and population of the world increased, asked the nations of Europe to meet in international conference in November last to ascertain what measures, if any, could be taken to increase the use of silver in the currency systems of nations. Inasmuch as in the three previous similar conferences England had insisted upon gold monometallism, it was considered doubtful if the conference could be held, based upon the relative ratio of gold to silver or upon strictly bimetallic lines. For this reason the wording of the invitation from the United States was of such a character as to permit the discussions of the conference to take a wider range than heretofore. The invitation of our Government was accepted by all of the most important States, and at the first meeting, held November 22, 1892, at Brussels, delegates from twenty governments were present and participated in the ten sessions that were held.

The instructions to the commissioners from the United States were general in their character. They cited first that the most important duty was "to obtain, if possible, an agreement among the chief commercial countries of the world looking to international bimetallism; that is, the unlimited coinage of gold and silver into money of full debt-paying power at a fixed ratio in coinage common to all the agreeing powers. Failing to secure international bimetallism, the next most important duty will be to secure, if possible, some action upon the part of European countries

looking to a larger use of silver as currency, in order to put an end to the further depreciation of that metal."

The delegates were also instructed that no arrangement would be satisfactory to the Government of the United States which would by any possibility place this country on a silver basis while European countries continued to maintain the single gold standard.

It was apparent at the first meeting of the conference that the delegates from the United States would be expected to present proposals for carrying out the objects set forth in the invitation, and accordingly, at the second meeting, certain statements and a programme were presented by the delegates from the United States stating that the re-establishment and maintenance of a fixed parity between gold and silver and the continued use of both as coined money of full debt-paying power would be productive of important benefits to the world. The programme suggested an international agreement giving an unrestricted coinage of both gold and silver into money of full debt-paying power; fixing the ratio in coinage between the two metals; establishing a uniform charge, if any, to the public for the manufacture of gold and silver coins. The programme also expressed the hope that the powers represented at the conference, or some of their delegates, would submit proposals looking to the enlarged use of silver as money; and it was quite generally admitted by the delegates present that monetary evils existed, and various propositions and plans were submitted to the conference looking to an increased monetary use of silver. The proposals generally suggested the purchase of silver and the issuance of notes against the same. The suggestions, therefore, to a certain extent, followed the present American plan of using silver as a basis for circulation. The plan, however, is not new, as the Bank of England issues its notes against gold bullion as well as against the security of British consols; and although the bank has never availed itself of the authority conferred by law, it is

also permitted to issue notes to the extent of one-quarter of its metallic reserve against silver bullion.

The monetary systems of many of the nations are so complicated by the issuance of paper money, and because of old-established banks through which the governments do their business, that it was difficult to consider a scheme suitable for all which did not involve a considerable change in existing statutes.

The proposition of Mr. Alfred de Rothschild, one of the English delegates, as amended before the committee of experts, had certain reasonable features, but involved a disproportionate purchase of silver by the United States, and other plans presented involved disproportionate sacrifices on the part of the governments represented.

It is possible that if a proper and equitable arrangement could be made for England to use a certain amount of silver, and for its dependency, India, which is the largest holder of silver in the world, to use an additional amount of silver, together with France and the Latin Union, which are, next to India, the largest holders, the immense mass of silver now in existence as money throughout the world would be appreciated, or at least its present value maintained, and this, of course, would favorably affect our holding of silver. Silver purchases and issuance of notes against bullion, however, should only be the means to an end, that end being re-establishment by international agreement of the ratio between gold and silver, and if some of the European nations would agree to purchase silver bullion and issue paper money against it in conjunction with the United States, we should be exceedingly cautious in making a compromise of this sort, and if such a proposal is considered the interests of the United States should be most carefully guarded; especially in view of the action recently taken by the Indian Government in closing its mints against the free coinage of silver. This action was, to a certain extent, foreshadowed by the statements made by Mr. Bertram Currie and General Strachey, delegates to the International

Monetary Conference, and also members of the committee to inquire into the Indian currency question. It is quite remarkable that while the British delegates at the conference declined to consider the question of a ratio, the Government of India, by the closing of its mints to the free coinage of silver, permits it to be coined in exchange for gold at the ratio of one shilling and four pence to the rupee, which is nearly equivalent to a ratio between silver and gold of twenty-two and one-half.

While the declarations and statements made by the different delegates to the conference from the several countries represented are of the greatest importance and value to the people of the United States in their consideration of the silver question, nothing definite was accomplished, and we are forced to the conclusion, from what transpired, that an international bimetallic union can not be formed nor an international bimetallic agreement fixing the ratio between gold and silver entered into unless a great change occurs in the public sentiment of Great Britain, whose position in the conference is indicated by a statement of Sir Rivers Wilson, who declared, "Our faith is that of the school of monometallism pure and simple. We do not admit that any other system than a single gold standard would be applicable to our country." This statement has recently been confirmed by the utterances of Mr. Gladstone in Parliament.

Upon the action of England apparently depends the action of the majority of the other countries. M. Tirard, delegate from France, who has since become the minister of finance of that country, declared himself opposed to any bimetallic agreement unless it included Great Britain, Germany, Austria, and Russia.

Belgium, Italy, and Greece announced that they were of the same mind, Germany, Denmark, Sweden, Norway, and Switzerland declared that they proposed to remain on a gold basis, and Austro-Hungary also stated their intention to abide by the gold standard, which they are in the

course of adopting. The Netherlands, Spain, and Mexico were ready to join a bimetallic union provided Great Britain would unite. No declaration of policy was made by Russia or the Roumanian Government, although intimating that they did not consider bimetallism a practical policy, and Turkey and Portugal expressed no opinion.

Under these circumstances it is evident that unless our executive and principal members of our national legislature are willing to agree to some proposal or policy looking to the purchase of silver bullion and the issue of notes against the same by the other nations, in conjunction with our own country, nothing can be accomplished at the adjourned meeting of the conference this coming autumn. As heretofore stated, it is evident that no agreement fixing a ratio between gold and silver can possibly be arrived at at the present time, and it is useless to continue to discuss bimetallism.

As it is impossible for the United States alone to fix and maintain the ratio between gold and silver for all the world, it seems clear that we should repeal the act which provides for the purchase of 4,500,000 ounces of silver per month and the issuing of Treasury notes against the same; and that we should increase and maintain a proper gold reserve, so that there could be no question in the minds of our people as to the ultimate redemption of any currency obligation of our Government in gold whenever desired. If this course is pursued there is very little doubt but that the other nations, whose people are using large amounts of silver as currency, will be brought to a realizing sense of the condition of monetary affairs, and the place of silver as a money metal throughout the world will be settled within a reasonable time. It is to be regretted that there is not a more unanimous feeling throughout our country in regard to this matter, and if it be true, as has been stated, that it will be very difficult to repeal the present silver purchase act, no one can predict what may occur so far as maintaining gold payments are concerned.

It seems clear that from twenty per cent to twenty-five per cent of reserve in gold against outstanding currency obligations of the Government should be kept in the Treasury at all times, and if we continue to increase our circulation based upon silver it may be difficult for us to keep a sufficient gold reserve to maintain our money at a parity. The Government, however, is pledged to maintain all of our money on a gold basis, and extraordinary efforts should be made to this end, and some action must be taken to remove the feeling of distrust and discomfort which now prevails in regard to our currency.

SYMPOSIUM OF OPINIONS ON THE FINANCIAL SITUATION.

THIS meeting was presided over by Mr. Charles Parsons, who recognized and introduced each gentleman as he rose to speak, and who said on opening the symposium:

There is no special order of debate this morning, but there is an opportunity for any gentleman to bring up any subject connected with the banking business or finance and to speak ten minutes. We shall be obliged to adhere strictly to the ten-minute limit, in order to give a general opportunity to talk. The discussion will be led by Mr. Logan C. Murray of New York, the former president of the Bankers' Association. [Applause.]

MR. LOGAN C. MURRAY.

You have sat for a number of days with great patience listening to very many excellent papers, and it is not my intention to make a speech, but simply to introduce these familiar talks on the old subject which is so interesting to us and to many of these gray-haired men, like myself, who for a quarter of a century have talked them over. We are trying to keep to the natural law of things, and that is all we propose to do to-day. As first speaker I am like the water which is poured into the pump to moisten the valves and to start the machinery, and I fear you may very well be like Mr. Lincoln, when a body of gentlemen went to him to advise him how to do certain things during our Civil War. He listened to them with great patience, but finally became impatient and said to them: "Gentlemen, when I hear anything it generally reminds me of something, but

what you have just said to me doesn't remind me of anything." [Laughter.]

We are here to-day to ask ourselves, What is the thing to do? We have listened to some excellent papers, especially upon the silver question. That is apparently a threadbare question, and yet in a certain sense it is not threadbare, because some of us still believe that it is an unsettled question and one that to-day confronts us more threateningly than any other. It not only affects our domestic financial position, but in a still greater degree our financial position in relation to the foreign connections of the country. We trade daily and continually with foreign countries which, like ourselves, are great in commerce. We ought to look at this thing from that standpoint as well as from a domestic one. We appreciate what it is to have a great silver-producing country, but we must examine our relation to the commerce of the world. I want to impress this upon you to-day, as of importance equal to any other thing we can talk about. The Secretary of the Treasury within the last two or three months has been called upon to make a new bond issue. This is a proposition to increase the national debt in time of peace, when for the last twenty-eight years we have reduced our debt sixty-six per cent, from a sum originally three thousand millions of dollars. The cause of such a call for a new issue of bonds, it seems to me, is that we have been spending our money in a direction in which it should not have been spent, and just as in a household where extravagance has prevailed we, as a nation, are being punished for it. I honor President Harrison, and I honor President Cleveland, that neither of these substantial men have yielded to the proposition of issuing an interest-bearing debt to get more gold when we have a hundred millions of gold in the Treasury to-day, to do that which it was put there to do. We do not need to increase the debt. We look abroad in this country and see the conditions that should produce prosperity; cities are building very rapidly, and railroads are extending in every direction. We can not understand

the cause of this trouble that we have heard so much about in the last few days. We hope that this trouble may soon pass away. The financial pressure commenced on the eastern sea-board and spread over the land. Here in Chicago you have met it in a magnificent way. It has passed on over the Rocky Mountains toward Omaha, and has reached to the Pacific Coast. There, I hope, it will make its final adieu and disappear into the Pacific Ocean. [Applause.]

In 1873 occurred what is called silver demonetization. There were but eight millions of silver dollars in existence. It has been said here upon this platform that it was for the purpose of making gold the one standard. This was not wholly true. It was for the purpose of putting our coinage laws on the same footing as that of the other commercial nations of the world. In 1816 England adopted the single gold standard, making silver subsidiary. In 1872 Germany followed suit. The Latin Union took similar action, ceasing to coin silver as full legal-tender money, and the United States, for self-protection, passed the law of 1873.

In 1878 there came this great cry that we must have a silver dollar again. Hence the Bland Bill, and later the so-called Sherman Bill, which, as I heard from President Harrison's own lips, was simply a compromise measure to stop a return to the free coinage of silver, then most imminent.

I am not a monometallist. I am no more for gold than silver, but I certainly am going to fight silver monometallism. I don't want that. I am not that sort of a man. I don't want to get on the silver basis. We must stop it; and I suppose now, since this crisis has gone so far as it has, it is well that we meet it now, and that for the President to call Congress to consider and take action in the emergency is the wisest thing he can possibly do.

We are not simply American bankers here. This is a world's congress of financiers. There are among us financiers from all parts of the world. What do we care about

those from abroad, perhaps you will say; what have we got to do with abroad? We have a great deal to do with it. Our securities are held there by the thousands and millions, and distrust of our financial laws has caused these securities to come back upon us in the last two or three years in great amounts. We want to stop that. When you have a railroad or town to build, wouldn't you like German or English or other foreign investors to take it? Europe has taken our securities for many years. Now do we want to be put in the position of having these securities discredited and thrown back upon us. If we go to the silver standard, the single standard of silver, our securities will come back, and we as American bankers will have to suffer.

We have fifteen hundred million dollars of circulation. I certainly think that we have enough for the business. It is said that we have not, and if so, let us find some sound way to increase it. This is easy enough, and we can do it; but we can not do it by selling bonds for gold to buy more silver, because this will inevitably force us back to the single silver standard, and then we will be forced to redeem our discredited securities now held by foreigners who have loaned us their capital.

Let us remember, gentlemen, that the resumption of 1879 was a great thing. It meant to this Government that after a terrible and exhausting war we had by wise financial action reached a point of credit which was unexampled in the history of the world. Two years ago the Secretary of the Treasury issued two per cent bonds at par by the million in exchange for four and a halfs to the national banks desiring them as a basis for circulation. Was there ever a Government whose credit reached a two per cent basis before? Now we are discussing whether we shall abandon that superb position and adopt the single silver standard, and put ourselves back into the position of a South American or a Mexican republic, if you please. Let us hold fast to our gold standard. Let silver take its legitimate place with it. We don't want to abandon it entirely. We

have shown that. We have four or five hundred millions of silver money now. Isn't that enough? We have got to the point at which we must meet this, and let us meet it now. I hope President Cleveland will call upon Congress to act wisely, and then we may look for relief. When our position on the gold standard is fixed and determined, then we may look to foreigners with confidence, and they will send their capital to this country, and relief will come to you, and to you, and to you. I am perfectly outraged when I think, gentlemen, that the benefits of this accomplishment of 1879, this splendid gold resumption, are being frittered away because the silver States persist in demanding that their interests shall be considered to the exclusion of those of the rest of the nation — that the Government ruin its credit, and that of every private enterprise, by adopting free coinage of silver. I say, with this great and threatening disaster in view, it is time for us to ask patriotically, "Where shall we stop?" I hold that now is the time. [Applause.]

MR. DAVID WILLS OF GETTYSBURG.

I stand upon the same platform as the gentleman who has just taken his seat, and I fully indorse everything he has said. I come from an agricultural district. I come from the historic town of Gettysburg, Pa. We have there two national banks, having an aggregate capital of $250,000. Now I affirm that what the honest people of this country want is a sound currency — one upon which they can safely rely; and besides that they want a currency sufficient for the wants of trade and commerce. The first we have. We have a sound currency, of which there never was a better. The bank that I represent grew out of the wants of the country after the War of 1812, and was organized in 1814, and I became connected with it as a director in 1854, and have continued in the management of it from that time until the present. Then it was the Bank of Gettysburg, and in 1864 we changed it into the Gettysburg

National Bank. We have never had during all this long period up to 1864 a currency equal in stability and safety to that which we have had since 1864 under the national system — a currency upon which the plain and honest people all over this land can and do safely rely.

But is it sufficient for the wants of trade and commerce? That seems to be the great question just now, and probably the great question which has been the cause of the monetary revolution or financial troubles throughout this land, from east to west and from north to south. It is the want of a special currency for trade and commerce. Now I affirm further that the people of this land want a stable currency, and they do not want when handed a dollar in silver that dollar only worth seventy cents, nor a silver note based upon this silver in the Treasury worth only seventy cents on the dollar. They want a fixed, stable currency; and how is that to be gotten in an increased way so as to be flexible, and so as to yield to the wants and needs of trade and commerce? Why, it seems to me that there is one way in which that can be accomplished. We have, as you know, under the general banking law, a reserve fund. We are required to keep such a reserve, which in our banks and in most other banks is largely in gold. There it is lying, idle capital. Probably fifteen per cent of the capital of every bank is thus idle capital, represented in no way, in the field of trade and commerce. Now how can that be brought into use and represented safely so that the people can have a reliable currency based upon it? In this way I suggest, that Congress provide first, of course, a repeal of the silver purchase act. That ought to be and must be wiped out in order to make this country safe and reliable against these financial troubles. As long as that act exists we will be in the hands of not only foreigners, everywhere subjected to the fluctuations and troubles in the various foreign countries, but here at home we will have our own troubles and difficulties greatly increased by a depreciated currency. The remedy I suggest is that Con-

gress enact that the national banks shall have the right to issue notes on this reserve. It thus puts that reserve in active operation, and will give the country at least $150,000,000 more of currency for the needs of trade, if we may thus use this reserve. And why in the name of heaven should this reserve be lying idle in our banks? Let Congress at once provide that it may be used by being made a basis for additional circulation, and thus to that extent relieve the wants of the country. This seems to me to be practicable, and that it will greatly relieve the trouble that may grow out of a repeal of the silver purchase act. I see nothing in the way of this. There can be further provision made, and should be, for the redemption of this circulation by the Government when it comes back for redemption, by putting a tax of one mill on the dollar of the circulation to be paid into the Treasury as a fund to redeem this circulation in the case of banks failing to redeem. It has been estimated that this would make a sufficient amount to meet all losses by failures of banks as based upon estimates of the past. Or the Government may provide that a pro-rata tax be levied on all the national banks to meet any deficiency that might grow out of the failure of any one bank to redeem its circulation, and thus protect the people. The great object in all legislation should be to make a stable, firm, reliable currency that the people can depend upon.

It seems to me that this plan is feasible and practicable, and will put into circulation, as needs may require, at least $150,000,000 more of paper currency. It occurs to me that if this plan were agitated and brought to the attention of Congress members would look to the wants and needs of the community instead of to local interests furthering their own private purposes. We have a great country — a country that the foreigners who come into our midst can not help but admire. We have a country extending from the Atlantic on the east over three thousand miles across to the great Pacific on the west; from the lakes on the north to the gulf on the south, more than one thousand miles, and

as we all know who have visited this great fair, where there are such varied exhibits from every part of it, that it is unsurpassed for variety of production, fertility of soil, richness of minerals, aye, even all the genial influences of a propitious climate, which may well give it the name of the Eden of the World.

Now let us take care that we provide for the wants of the people of this great country by giving them that which will protect them in their commerce, and in their trade, and in their business interests throughout this land.

Hon. W. J. Bryan of Nebraska.

I am sorry we are limited to ten minutes. Some gentlemen have spoken of the duties devolving upon the coming Congress, and I wish I had time to speak of the way in which these duties will probably be performed. There is one question upon which we can all agree, and that is we want a sound currency. The only disputed point with us is, "What is a sound currency?" We all believe that we should so act as to add to the prosperity of our people, but how can that prosperity be best secured? Whether or not our people seem prosperous depends largely on which portion of our people we look at. It is astonishing that society is so little agitated when an innumerable number of citizens come to bankruptcy, and yet how greatly it is disturbed when disaster stares in the face some of our great financial institutions. I desire to call your attention to a little table which appears on the first page of *Coin*, the illustrated paper just started in the interest of bimetallism, which shows that the prices of the agricultural products wheat and cotton have fallen with the price of silver bullion. You are thus making the farmers of this country pay their debts with a constantly appreciating dollar, and yet their distress seems to cause you no concern. I do not know why it is that we hear so much about the difference between the bullion value of a gold and silver dollar, and about the

terrible injustice of allowing a debtor to pay his debt in sixty-five cent silver dollar (which buys the same as the gold dollar), and hear so little of the injustice of compelling the debtor to pay his debt with a dollar and fifty cent gold dollar. The fundamental question which lies at the bottom of all discussions of money is, " How can we secure the greatest stability in the money unit?" There is no such thing as an absolutely stable standard. A bimetallic standard of gold and silver is more stable than a single standard of gold or silver either. Those who advocate gold monometallism overlook a fact which it would seem almost impossible to overlook, that is, that a gold standard would not be fixed in its relation to other things. It would simply give a dollar which would change every day in its relation to other articles of property, and that change would be constantly manifested by the increased purchasing power of the unit and the decreased price of other things. The battle of the standards is at hand, and we might as well prepare to take our stand in favor of "the gold and silver coinage of the Constitution," which would afford a sufficient base for a paper currency convertible into coin upon demand, or in favor of a single gold standard, under the influence of which all debts would be increased and the wealth of the producer would be absorbed by the money lenders. There is considerable talk about Europe being scared, and the Sherman law is blamed for producing the scare. The Sherman law was passed three years ago, and it did not scare the people of Europe; if they have been alarmed at all, you can not blame the Sherman law, but must blame the whole American people, for every great party declared last fall in favor of bimetallism. The export of gold is not due to the Sherman law or to any other legislation in favor of silver, but to the fact that for the last year the balance of trade has been largely against us, and because Austro-Hungary is drawing from the world's supply of gold in order to resume specie payments on a gold basis. While the coin certificates may be used to with-

draw gold from the Treasury, the greenbacks can be used for the same purpose, and we have $346,000,000 of them. To blame the coin certificates and overlook the greenback is like worrying about an open gate when the whole fence is down. It is curious to hear some persons advocate the unconditional repeal of the Sherman law and oppose any silver legislation, but insist that they favor bimetallism. There is no such thing as a combination of bimetallism and monometallism; you might as well advise marriage and yet advocate single blessedness. Nor is it fair to advocate bimetallism *during a campaign* and monometallism *as soon as the election is over.* Much is said about the cupidity of the mine owner. We might as well recognize the fact that all are selfish. We understand that any legislation which raises the value of silver helps the miner, and we expect him to favor it. We know that any legislation that raises the price of wheat or cotton helps the farmer, and he is expected to favor it. Why not consider the cupidity of the money lender and his selfish interest in the increased purchasing power of his property, money. He is no worse than other people, but is there any refining influence in his business which raises him above the selfish impulses which other people are supposed to have? Is there any reason why the money lender should be any more disinterested in his discussion of financial legislation than the wheat farmer, the cotton grower or the silver miner? When you remember that the money lender deals in dollars and is interested in getting back a bigger dollar than he loans, you must come to the conclusion that he has as much selfish interest in securing a single gold standard as any silver miner has in legislation which enhances the value of his product. It is for the American people to settle this question, not in the interest of any class, but in the interest of the masses, who demand a sufficient circulating medium.

How can this be done? Only by the use of gold and silver on equal terms at a fixed ratio as primary money. We produce neither gold nor silver in my district, or in my

State; my people are interested in the metal not for merchandise, but as money. The same is true of the people of the great agricultural States of the South and West, who have stood as a solid wall in defense of bimetallism.

We must use both metals, because there is not enough of either to do the business of the world; especially is this true of gold, the supply of which available for coinage is decreasing rather than increasing. The annual production of gold, as stated by the Director of the Mint, does not exceed $130,000,000. Two-thirds of this amount is consumed in the arts, which leaves but little more than $40,000,000 for the world annually. The population of this country is increasing at the rate of 2,000,000 per annum. If we have twenty-three dollars per capita it will take about $46,000,000 of additional currency annually to keep up with the needs of the United States alone. From what source will the rest of the world obtain its supply? If we decide to tie ourselves to a single gold standard we can count on a rising standard of measurement, and there is not a man here young enough to live to see "better times." You can not have a double standard except by the equal treatment of the two metals at a fixed ratio. As I said, every national platform declared last fall in favor of bimetallism. No particular ratio is necessary for a bimetallic standard, but those who oppose the free coinage of silver at the present ratio seem to oppose it at any ratio. Why do not those who advocate the unconditional repeal of the Sherman law explain by what means they will supply the country with currency? They either have no plans for the future or they are not frank enough to take the people into their confidence. One gentleman, it is true, has suggested that the banks should be permitted to issue notes to cover the reserve which they are compelled to keep. This plan to make the reserve do double duty, first as security to the depositors and second as security for a bank circulation, would make a Populist blush. Those who want to borrow money on their real estate have never asked the privilege of giving two mort-

gages on the same property. But the time is up, and I thank you for your attention.

HON. LON. V. STEPHENS OF JEFFERSON CITY.

The Treasury Department, over which I have the honor of presiding in the State of Missouri, is distinctively a working department, and in it oratory and eloquence consist very largely in close attention to its exacting requirements, and in keeping the case straight and the books balanced. You must therefore expect nothing of eloquence or oratory from me, but only the words of a busy man on a subject of vital interest and monetary importance just at this time to the business and commercial world.

I came here as the representative from Missouri, selected by the Governor of the State of Missouri, to talk for Missouri, and I believe that what I shall say to you at this time will be in accord with the views of a majority of the people of that grand old State, although I speak upon my own responsibility. In regard to the present "panic" and the stringent monetary situation I have but little to say, but I trust in what I do say I may be thoroughly understood. I think it a most senseless state of affairs. It seems to me that it was brought on by some of the New York banker politicians in order to influence the South and West over to the "gold theory."

It seems to me, further, to be altogether a political scheme for political and mercenary purposes. I do not believe that our New York friends had any idea when they began upon this little game of "squeeze and freeze-out" that it would be so far-reaching in its results in a certain direction. Before they knew it themselves they were the ones who were squeezed and frozen out, because confidence was lost throughout the whole country and a stampede which might have resulted very disastrously to the country at large was begun. I speak only for Missouri. I know that many of our country banks when they heard the sensational news

from New York concerning the monetary stringency, conservative as they are, made application at once for future "help" in case an emergency required it. They were answered promptly by their New York depositories—by these Eastern financiers—that they were unable to accommodate them because they were compelled to take care of only their large customers, and that *their* balance did not place them where they felt especially obligated to carry them. This is another case where the big fish swallow up the little ones. The rate cut no figure; past loyalty or faithfulness, nor collateral offered, seemed to have no effect upon these heartless money lenders and sentiment manufacturers. Many banks thus "thrown out" at a critical time might have gone down and carried whole communities with them, had they not been able to get accommodations in St. Louis. It seems we can't depend upon New York, and we must govern ourselves accordingly in the future.

It was a game, as I said before, of freeze-out, and the West was "not in it." But fortunately for the Missouri bankers, they had prepared for an emergency, and had strengthened up and were carrying a thirty per cent reserve. It is at this time, I say to you gentlemen, that the West requires the most help, because now we are harvesting our wheat crop and the farmers all need a little help for thirty, sixty, or ninety days. This help we were unable to get in New York, but I am glad to say that we were able, and I hope will continue to be able, to do without New York.

I have been told that a bird has been known to stampede a whole army, and it seems that now scarecrows, or human vultures of some description, have about accomplished this result. Until the people of the West and South come to their senses, and appreciate the situation, and determine to take care of themselves, notwithstanding the fact that always heretofore they have looked to New York for help and support in time of trouble and need, their interests will continue to be endangered.

The result of the action of the New York banks was felt

and is yet felt to a large extent over the country. Here and there solvent banks and merchants have gone down because they were unable to borrow at critical times upon collateral they offered worth one hundred cents on the dollar. They offered plenty of security and a high rate, but they were sacrificed.

This purpose to make silver odious, I think, has had the opposite effect, and popularized it. It has at any rate popularized the idea that we have not sufficient money in circulation with which to meet the requirements of our banking and business interests, and the people of the West and Southwest, somewhat embarrassed temporarily, as they are in moving their crops to market, not only this year, but always just about this time when they most need a little financial help, are in favor of *more money* of some kind. It matters not whether it is *gold*, *silver*, or *paper*. We don't want the "gold-bugs" or the "silver humbugs" to run our country, but we would like to have it so, Mr. Chairman and gentlemen of this Congress, that when we *have* to have money, and are willing to *pay* for it, and can offer ample security for it, that *we can get it*. Is there anything unreasonable in this?

Mr. Chairman, if you or I wanted a certain brand of cigars or whisky, and if it were found also that our friends wanted it, in some way or other, if we were willing to pay for it, those cigars and that whisky would be manufactured and would soon be at our command. It is evident there is a screw loose somewhere. When it comes to the point that we are unable to borrow money at any figures, and have ample security to offer to secure our loans, and the gold-bug financiers in the East tell us they are unable to help us because they must take care of their large depositors, it becomes our duty to begin to study how we must first protect ourselves.

I want to say that I have not a cent in silver mines. I have invested in the past five or ten years about ten thousand dollars in this industry, and have lost every cent thus

invested. I have only "holes in the ground" and broad acres here and there in the mountains of Colorado to remind me of my lost money, worth not more than five dollars a square mile.

As I said in my speech in this hall a few days ago, Missouri is "all right," although when some of our people, anticipating trouble, applied to New York recently for loans to help them take care of their good friends in the event of emergency, and were told they could not help them under any circumstances, they became naturally just a little bit frightened. I know that when I applied to a New York bank for assistance in the event that the banks in which I was interested needed it, and was told practically that in order to get the help I wanted on business principles I would be almost expected to compromise my standard of dignity and respectability, and get on my knees and beg for it, then that spirit of Western independence was aroused in me, and I felt like writing to those fellows who had assisted in precipitating this trouble on our people, without a just case, that if *they* needed any help, and would offer us eight per cent and the proper sort of collateral, I would contract to take care of them from the Missouri reserve and tide them over the monetary depression. It was Mr. Cleveland who said that "it was a condition that confronted us." I believe now it is a theory that confronts us, and I want to place myself on record as saying that if this condition or theory, this panic, manufactured for the occasion, has been brought about in the interest of *gold* as *against* silver, I am for silver, and I am in favor of its free and unlimited coinage. Silver is good enough for me. I want to say further that I shall be in favor hereafter when Missouri has any of her bonds to issue of paying them, not in gold, not in silver, but in specie. If this proposition is not satisfactory to our Eastern friends, we will place these bonds at home, and in Chicago, Nevada, Texas, and Colorado, and we can do it without any trouble. Missouri bonds have always and will always command a premium.

Gentlemen, Missouri is all right. There is no panic out there. St. Louis, our metropolis city, is as sound and solid as the "Rock of Gibraltar;" and while we are not cranks on silver or anything else, I want to say the kid-gloved financiers of the East are rapidly driving us to the free and unlimited coinage of the white metal by their own dangerous and uncalled-for policy.

HON. JOSEPH H. WALKER OF WORCESTER, MASS.

I think there is no one thing at the present time that would be any more interesting to the people present and to the country than an explanation as to the passage of the Sherman bill. I saw it stated in a paper that Senator Sherman had concluded that what is known as the Sherman law, or silver act of July 14, 1890, ought to be repealed. As Senator Jones, Senator Sherman, and Senator Harris, who were the committee on the part of the Senate, and Representative Conger, and Mr. Bland, and myself were the committee on the part of the House who framed that bill, I think I know something about it, and why it was framed and why it was passed. And let me say to the gentlemen present, and to the country, that Senator Sherman has not changed his mind about that bill. The only question that agitated the mind of Senator Sherman, and the Congressman who framed the bill, was how soon it could be repealed after it was enacted into a law. If it could be repealed in the Fifty-third, Fifty-fourth, or Fifty-fifth Congress, if we could have been assured of that, we could have measured the loss to the country by the passage of that bill, provided the bill had been enacted when there was no silver coinage bill on the statute books.

In a letter which I was asked to write to a Boston paper I then stated that the bill would cost the country from one hundred to two hundred million dollars, but that sum would come out of the rich corporations, capitalists, etc., but if we went to free coinage the cost would be from two to four

billions, and it would come out of the farmers and wage-workers of the country. Now that is something that we know. You will find that the advocates of the existing measure of value, without any reference to whether it is gold, silver, or paper, or whatever it is, and I am not calling names, not talking about gold-bugs, or money fiends, or robbers, as do the advocates of free coinage, but I am giving you the facts; and they are giving you assertions and declamations and trying to convince you that they are right.

In 1860 twenty-three of the leading necessary articles that every poor man had to consume that had a wife and two children cost $152, gold standard. The same identical articles in 1865 cost $301, because of inflation; to-day the same things in the same amount cost $121, gold standard. [Applause.]

You can see what this means to the poor man. It is a matter that has been figured out by as careful economists as ever investigated any question impartially. Instead of the working-man getting the money of inflation, $2,700,000,000 went into the pockets of speculators, and the men who had the property the day we issued the greenbacks, before their wages reached a plane that would buy the same commodities for their families that their wages would buy in 1860. Do you want try that again in this country? Do you know that every article you send to any silver measure country costs every working-man in that country forty-three per cent more than you pay for it here? I am telling you what the exchange — what the bills of exchange show that are issued in London, New York, and everywhere else on silver measure countries. Do you know that everything bought by working-men in those countries you can buy here for twenty-three per cent less than they are sold for in those countries? Do you want to get away from such conditions?

We are asked by the advocates of free coinage to plunge down to a level with Mexico, India, and China — onto their plane. That is what we are asked to do. Talk about debts, talk about gold-bugs wanting their debts paid in gold! Why,

all the mortgages average to be paid in three years and a half. We have been on a gold basis for sixty years, except when we had greenbacks, and every existing obligation was contracted on a gold basis. Now I want to call your attention, ladies and gentlemen, to this fact: There is not any one of you that wants any money excepting as a means to an end. What you want is products. You want homes. You want clothing. You want schools. What I mean to say is, if you get a dollar in your pocket you get it there to get something else with; it is not to get the dollar for itself, as you do other things.

Back in the days of barbarism, when wealth consisted of equipages and of gold and silver that moths and rust could destroy, and when men were invited as guests to the house the host was expected to clothe them with his own raiment and silver and gold, then in those days they wanted gold. Now it is products and not the money people want, whether it is clothing for the family or to send children to school. Money is but an order for or the title to that which you get. You don't borrow money now. If you go to borrow a thousand dollars it is a house you want, and the mortgage gives you the house; you never see a dollar of money; you get a check for the thousand dollars, and part with it immediately for the house.

Why is this great row made about money, anyway? Money is only a conveyance or title to wealth or property, things that bring an income. In days gone by men wanted money to hoard; but that was miserable and miserly. What you want to-day is a deposit in your savings bank to use to educate your children with.

This question of money is purely a question of having a sufficient amount. It makes no difference what it is. The countries in proportion as they get above their barbarism need and use less coin and more paper money. The excessive demand for coin is a demand for a return to barbarism. It is because you haven't confidence in the integrity of your fellow-men. Prices low? Why, farmers never saw the

day that a day's work would buy so much on the market as a day's work done to-day. Farmers tell me that between now and 1860 the same hour's labor would produce two bushels of any kind of grain or produce where it produced one in 1860. You are just fifty per cent better off to-day in paying for the farm and in paying off a mortgage with an hour's work than your fathers were in 1860. Never were the wageworkers and small farmers so well circumstanced since the sun shone or water run as in this day of 1893.

MR. J. W. VERNON OF PROVIDENCE, R. I.

In discussing this question we want to start on common ground. I am glad to say that we are all agreed that we want first a stable currency. Second, we want a stable basis for that currency that shall possess intrinsic value, and the intrinsic value that it professes to possess.

Now, gentlemen, we want to start there. Now tell me how it is that to-day in London money is loaning at one and one-half per cent per annum and in New York it is loaning at twenty per cent per annum, two of the financial centers of the world that are within five days of each other. What is the reason of it? I think I can tell you. I am asked sometimes how it is that with all the prosperity and confidence and wealth, increasing business, progressing in every department, we now have a sudden collapse and failures all over the land. Can you tell me why it is that when a man, in the full flush of strength and power, who has been exercising himself, lifting weights, walking, running, and wrestling, able to do anything that his physical organization can do, sits down in a railway-car where a draft of air from an open window strikes across him; he goes to his home, has a chill, sends for a doctor, and within three hours has a raging fever, with a congestion of his liver, or inflammation of the lungs, or inflammation of the bowels, and the doctor says there is a chance whether the man can live twenty-four hours? If he lives twenty-four hours it will take him three

months to get about his business again. Hasn't the man just as much blood in his system as he had before? Everything that was there before when he was in the full flush of strength is there now, and what is the matter? Nothing under heaven but a sudden chill, a little draft of air.

Now what is the matter with our financial circulation to-day? It is only that the chill of apprehension has struck it. Apprehension of what? Apprehension that this great country which, as has been so well said here, redeemed its pledges, its promises, given in distress and war, redeemed them in gold; apprehension that it is no longer going to be able to redeem its promises in gold. And why? Because of silver legislation.

Now, sir, we do not want — we are falsely charged in the East when it is said that we do want to demonetize silver. We do not want any such thing. If you can devise any way under heaven in which you can put a hundred cents' worth of real intrinsic value into a silver dollar and keep it there, we have no objection to free coinage. I am with you. [Applause.] But, sir, for the sake of the laboring man, for the sake of the farmer, I say give us an honest dollar. It is not that we want to demonetize silver, but it is that we do not want to demonetize gold.

Now, sir, that is the apprehension that has caused all this disturbance. It is caused by the fear that we are going to demonetize gold. Why, it is only a few days ago that one of the largest commission grain dealers in New York told me that "England and all Europe want our grain, and they would have bought wheat at eighty cents a bushel if it had not been that they thought we would not be able to sustain gold payments, and they have been holding back their purchases until we did suspend gold payments, and then they could send their gold dollars over here, and for every two dollars of gold they would get three of our dollars' worth of grain." Another man, who has invested several millions of capital in this country in manufacturing, whose works are now and have been for years supporting ten thousand people,

who are consumers of the products from your farms, asked me: "Are you going to be able to sustain gold payments? Our concern has large investments in this country, and we are questioning whether we had not better sell them all out. We buy nothing now that is not payable in gold."

If you could look into the safety deposit vaults through this country you would find millions of dollars of gold that are being held by the owners because they think that we are going to suspend gold payments, and that gold will then be worth one-third more, and they think that they will gain more in that way than they will lose by the loss of interest.

Now let me just briefly refer to what I think will illustrate this whole thing. In 1879, when we resumed specie payments, I remember exceeding well that one of the most intelligent, experienced, careful, and patriotic men in the board of directors in the bank with which I am connected, who was fully in favor of the resumption of specie payments at that time, said: "I fear that it is going to produce a contraction that will bring down the prices of our manufactured goods, and will bring down the prices of real estate." What was the result? The moment that we resumed gold payments three hundred millions of gold that had been demonetized by paper issues, thrown out of circulation, were brought back into circulation. What was the result? This country bounded forward into a prosperity that it had never enjoyed before. The pulsation of that new blood, the best blood in the financial world, was sent to the outmost bounds of this country. Now, sir, if we suspend gold payments, if we do not repeal that silver bill, or if we have free coinage, unless it is free coinage of a dollar that contains one hundred cents' worth of silver, we shall suspend gold payments. There is nothing under heaven that sustains the silver dollar to-day but the credit of the Government behind that thirty cents of lacking value. The Government promises to pay a dollar in gold, and that is all that sustains it. The moment that suspension of gold payment comes, the moment that the action which I have

spoken of in 1879 is reversed, we shall see such contraction, such disaster, and such ruin as is but faintly indicated in the troubles which now beset us merely from the apprehension of that trouble. [Applause.]

MR. B. E. WALKER OF TORONTO, CANADA.

I had the pleasure of addressing some of you last night on the subject of banking in Canada as compared with banking in the United States. I explained that I had resided seven or eight years in New York, practically as a New York banker, although representing a Canadian bank. I also said that the institution of which I am the general manager is a large loaner of money in the East, in the West, and in the South. We are, in addition to being lenders, one of the five or six largest buyers in New York of bills of exchange drawn against cotton and other products, and my object in speaking for the few minutes allotted to me is, not to explain my views on the silver question as a whole, but to tell you something from the point of view of a bank which, although a foreign institution, is as largely interested in this country as perhaps any of the individual banks in the United States except the leading bankers in such cities as New York and Chicago.

I will suppose that there are no gentlemen here, whether they are advocates of free silver coinage or not, who do not still admit that it is desirable that foreign capital should come into this country. The United States will doubtless see the day when they can do without foreign capital, but that condition has not been reached as yet. The gentleman from Nebraska says that many enemies of silver pretend to be bimetallists. I am not going to pretend that I am a bimetallist. I am not a bimetallist. I believe in a single standard; and speaking from a selfish point of view, I do not care so much whether, in the United States, the standard be gold or silver, so that it is fixed. A silver standard as opposed to a gold standard has tremendous disadvan-

tages, but it would be a great deal more sensible than the attempt to maintain a parity which sooner or later must be found to be impossible. My own country has never had anything but a gold standard, except for a few months in 1837, and I hope it never will. Now as a Canadian banker I am certainly bound to keep the money of the depositors and shareholders of my bank on a gold basis, because all debts in Canada are payable in gold, and we can not therefore afford to loan money in this country without exacting a gold contract, unless we run the risk of suffering such a loss as would happen if this country failed to maintain the parity between gold and silver and there was a premium on gold. If this country were now actually on a single standard, and that standard was silver, much as we would regret the folly of it, we could look after our interests, as we did before 1879 when the country was on a paper basis. We can manage with any certain condition. We can not manage with the present condition of uncertainty.

There is another class of foreigners desirous of investing in this country whose money will not come here unless the standard is gold. There never was a time when the people of Great Britain so much needed a new field of investment. They have been unlucky in South America, in Australia, and elsewhere in the southern half of the world. I believe British capital would come into this country to an enormous extent if the currency was on a gold basis. There is still another great reason why this country should settle this question at once. It is clear that the time is coming when the United States must build up a great export trade in manufactured goods with the rest of the world, if the population continues to increase. There are plenty of Americans who believe that we have a great export trade in manufactured goods now, but it is not large when compared with Great Britain. How can this country become a great export country and be upon a basis anywhere from thirty-five to fifty per cent different in the matter of foreign exchange from the rest of the world? Would it not be per-

fectly absurd to expect success when the difficulty that this country meets is to compete with Great Britain? You talk about pauper labor and low rates of interest in Europe as giving foreign manufacturers a great advantage over you. Are you going to add to the pauper labor and low interest the further advantage of a constantly fluctuating rate of exchange? I say that such a state of affairs would render it impossible for the United States to build up a great export trade.

I have heard a great deal here to-day about "gold-bugs" and Wall Street squeezing the West. Now it is a sad thing if this matter is to be discussed from a sectional point of view. In a great question like this there should be no sectionalism. I don't see why Western people should denounce Wall Street so bitterly, and I do not see why people in the East should have an animus against miners. The statement was made that we could count on every one being entirely selfish in this matter. The farmer would vote for whatever would put up the price of wheat, and every manufacturer would vote for what would put up the price of the article he produced. Well, I do not believe this is quite as true as it may seem. I do not believe but that there are a great many men in the United States who have the broad kind of selfishness instead of the narrow kind of selfishness, and who feel that what is good for the country as a whole is best for them.

I have my own views about the silver question, because I have lived in this country and have followed the question closely, and I might speak to you from an American point of view, but I only got up to speak from the point of view of a foreigner. If you want foreign capital to come here, if you want to build up a great export trade, stay on the standard of the best nations of the world. Do not fall to the level of China.

MR. E. J. PARKER OF QUINCY, ILL.

It seems to me that in the city of Chicago, which the chairman of this meeting has aptly called an "imperial city," where eighty years ago, as Mr. Pullman has shown you this week, Indian savages were committing their atrocities on these shores — that in this city the question of finance should be considered from but one standpoint, and that an international one. I hold in my hand a little clipping from the wire between Chicago and New York, over which every hour of the day telephone messages are transmitted in a few seconds' time. A speaker has said that we are about five days between New York and London. We are scarcely as many seconds. Are any of you wearing charms upon your watch-chains from the Atlantic cable of Cyrus Field's day? Have you forgotten the cable communications? We must have one standard of value, and it must be sure. The silver legislation has interfered with that, and it should be repealed.

Two or three years ago we who are in the banking business were reading the sign-posts. The times were coming which we are living through to-day. The Government was making large purchases of silver and issuing paper certificates, thus inflating the currency; and together with a high protective tariff, stimulating production, building up colossal trusts (though I will not say that the tariff is alone responsible for these trusts), it was sure to bring trouble in the end. If after the war Mr. Boutwell had retired the Treasury notes, national banks would have furnished the country with a circulating medium, and the national banks would have had more friends to-day. We should look at financial measures, as Mr. Charles Parsons suggested in his address in Kansas City, from the standpoint of patriots, not in a sectional way; not forgetting the days and trials of Washington and Hamilton. The capitalists of New York and of the East are, to be sure, prudent men in their business; they have assisted in laying the iron rails across the

continent and in developing the commerce of the water-courses.

Now let me tell you, gentlemen, what would happen to-morrow if we struck a silver standard. You know in war-times what merchants did. They would sometimes mark up the prices of their goods ten per cent in as many minutes. Strike a silver basis to-morrow, and merchants will mark up their goods at once to the silver standard. Who will that affect? The professional man, the salaried man, the laboring man; will their wages be increased in proportion to silver values? You know they will not; they can not be. As to the demands of creditors, most men are borrowers. Who of us in the banking business is not interested in one or more corporations which are borrowers? You can not separate communities into distinctive classes of debtors and creditors. We do not want to have losses fall upon the laboring man, and we are all suffering to-day by the present insecure standard. At the time of the Baring failure this country took the securities which England had to sell. One speaker has referred to the very low rates of interest in London and the high rates of interest in New York which are now current. Good dividend-paying railroad securities are now selling below par. England, Holland, the Germans, and France are not sending their money over here to buy our securities (though there may be a prospect of an early advance in prices), as by our silver legislation they will not expose their capital to a clipping of forty per cent. Interest rates, therefore, can not be equalized under such conditions.

The Government is not a banker, that question was settled long ago; but it affords us protection to person and property. The circulation of the country should be supplied by the banks, to ebb and flow in the channels of trade like the tides of the sea. It is said by Mr. Sherman that we would have had a free coinage measure if the silver bill, known as the Sherman bill, had not been passed. For my part I almost wish a free coinage bill had been passed, as

President Harrison would have vetoed it, and perhaps we would not have been in our present distress. All administrations are handicapped, and we should not be too censorious with any one administration. Our legislation, however, should not be sectional. Our silver men are bright enough to go into some other business if we repeal the silver bill. Men who have got that legislation through in Washington are going to take care of themselves in the United States. That bill should be repealed and the tariff changed. Manufacturing has been stimulated under the present tariff until there is a glut. The trade of South America and the islands of the sea should be ours. We are not realizing the benefits from foreign trade which we should, and which England is enjoying. If Congress will do its part in repealing the silver bill and make an equitable reduction of the tariff, and so legislate that freights can be carried under our own flag, we will get the South American trade and other commerce which we should have.

If the national banks can not furnish all the paper circulation for the country, the State banks should also be allowed to issue it. To be sure in earlier days the holders of bank notes were the first to be alarmed and are now secure. The demands of uneasy depositors are now met with the clearing-house certificates (though in this crisis the clearing house of Chicago has not issued them as yet). It has been suggested by one speaker that the Government might levy a small tax on the banks for the protection of the noteholder. I am not as apprehensive on that point as to the security of the bank-note-holder as some would be, for the country has made advances in all directions the past thirty years.

HON. HENRY COFFEEN OF SHERIDAN, WYO.

I did not care to enter into this discussion particularly, but it seems that it is getting a little monotonous by being mostly upon one side, unless some of us speak a word for

the other, and therefore I think I shall have a little to say about this silver question.

Coming from Wyoming, and therefore from the West, it may be guessed, but improperly so, that I am interested in silver mines in some way. Not at all. The only interest I have in mines is in prospective gold mines, and therefore it can not be self-interest that prompts me to speak as I do. I have a small interest in a small bank (that is the kind we have out West, you know), and therefore my interest is not against banking as a business.

In discussing this question before a world's congress we should treat questions of finance by scientific and philosophic methods. They should be discussed before us on a broader basis than simply our sectional, or what is equivalent to the same thing, our class interests. You complain in your discussion of having sectional interests advocated by others. Will you at the same time, if sincere in your purposes, advocate the banking interests only, or will you, as financiers for the world, come here and discuss the very foundations and principles of money?

There are fifteen hundred millions of currency in circulation in this country, as we are told by some of the elegant gentlemen who have spoken on the other side. Yes, but there are sixty thousand millions of property in this country, and that surely should have some respect in our minds. We should pay attention to the ups and downs, the variations in the prices, of that sixty thousand millions, and not altogether center our attention on the matter of appreciating the value of fifteen hundred millions of money.

Time will not permit going into figures for more than a moment, to show you that the fifteen hundred millions is only two and one-half per cent of the entire wealth of the country. Will you seek constantly to appreciate or strengthen the value of the two and one-half per cent, or one billion five hundred million dollars of the money dealers, and necessarily thereby *depreciate* or reduce the value of all the other ninety-seven and one-half per cent, or sixty

billion dollars of property, that represents all the labor and productive interests of the country? You may count your banking capital, enlarge it, and gather into it, until you make it, if you wish, ten thousand millions against sixty thousand millions of property, then you have only sixteen per cent against one hundred per cent.

Now suppose you appreciate your dollars ten per cent, have you not destroyed six times as much value for others?

As to the metallic basis, if you eliminate half your metallic basis by the complete demonetization of silver, as I said the other day, therefore, to be consistent with the theory the bankers of this country have long advocated, you must eliminate or contract one-half the superstructure of paper money that rests on that basis.

When you lessen your foundation you must lessen your superstructure; this destroys values one-half, and ruins our industries, and robs the debtor class by a form of law. Silver bullion as property, in common with other property, has depreciated in price, and as has been clearly shown, keeps pace with or even and constant relation to the bulk of other property, and our opponents say it has fallen to sixty-five cents on the dollar.

Why do they not tell us that all property in general has depreciated in price or fallen to sixty-five cents on the dollar? Why do they not acknowledge, what is clear to most minds, that one-third the equitable values of the products of all labor in this country has been lost thus to the producers and property owners, by the decline not only of silver bullion, but all other forms of property, for silver in bullion is but property. All this loss has resulted from a partial demonetization of silver; what then could we expect from the complete demonetization which our opponents seek?

But they tell us the silver dollar is worth only sixty-five cents, and they have so often spoken of the "sixty-five-cent dollar" that they have almost made themselves believe there is such a thing. Oh, no, gentlemen, the *property* value of silver in the silver dollar has fallen with all other

property, but the monetary value of every legal-tender silver dollar is still one hundred cents in the dollar.

Do you advocates of gold alone desire a test of the fact? I have here a small amount of good money in bills, fifty dollars—such as you all admit is good. Now as far as this amount that I happen to have with me goes, I will give you, gentlemen, seventy cents for every one of these "sixty-five-cent dollars" you are so wroth against. Yes, I will give you seventy-five cents for them. I will give you eighty, eighty-five, *ninety* cents each for them. [A pause.] Why do you not speak out? Why do you not let me have your despised silver dollars? [Laughter and applause.] Because every one of you know as well as I do that every one of them, the legal-tender silver dollars, is worth one hundred cents on the dollar, always has been, and always will be. And if you give us free coinage of silver the property value of silver will raise to meet the monetary value and be worth one hundred cents on the dollar also. And with the rise of silver property all other kinds of property, true to the history of prices in all countries and at all times, will rise in value, and the industrial classes will have their day of prosperity, as you have had yours. It is not the high-priced dollar, the appreciated dollar, that helps people generally to prosperity, but it is the better price for products of all kinds, the appreciated property, that relieves the producing classes and secures justice and the opportunity to lift the burdens of debt.

The honorable gentleman from Massachusetts (Mr. Walker), who had so much to do with bringing forth the compromise measure known as the Sherman silver law, which he now wishes to have repealed, has made the argument before this intelligent audience that even the borrower and debtor is profited or benefited by the appreciated dollar, and by the low prices of a wide range of articles and products, "so that he can purchase more with his dollar when he gets it."

Why does not the gentleman go further and tell this Con-

gress how this borrower and debtor is to get dollars with which to pay his debts, both principal and interest, unless it be by giving labor and the products of labor in exchange for them? And when it comes to paying debts, taxes, salaries, and all forms of fixed payments, and exchanging labor, products, or property to get the dollars with which to pay, will he tell us that the cheaper the property and lower the prices the better for the man who gives these in exchange for dollars? It is not sound doctrine. Cheap grain, or low prices on grain or cotton, does not help the farmer, North or South. Falling prices on manufactures do not help the men who have to give these products or their articles of manufacture in exchange to get dollars. Better prices for all kinds of property will help out the debtor.

MR. T. C. SHERWOOD OF MICHIGAN.

What I wish to say is not so much in discussion of the financial question as to emphasize the fact that we have sufficient currency in circulation to-day for all our actual business necessities. I can go into any Michigan town of five thousand inhabitants and purchase one hundred thousand dollars' worth of farm produce and not pay one dollar of currency. The different transactions would all be by checks and drafts. What we need to-day more than currency is confidence. Confidence is what is wanted in these times of financial excitement. Banking is built up on one-third capital and two-thirds confidence; and this brings me to the point I wish to make. Confidence in our monetary system was disturbed by the discussion in Congress last fall. That was the commencement of the panic. When Congress adjourned the unsettled silver question was transferred from Washington to Wall Street, and the newspapers have discussed it ever since, and our present financial distress is the result.

Now it seems to be the sentiment here that Congress should assemble at once in extra session. I, for one, am

not in favor of an extra session, unless I were sure the Sherman bill would be repealed without debate. It seems to me that the discussions of financial measures at this time will tend to destroy rather than increase confidence in our finances. It would be like attempting to put out a fire by throwing on kerosene oil. Too many of our congressmen are good politicians rather than great financiers. I have not the greatest respect for the financial opinion of the average congressman. Of course I do not mean those who are here. I mean the other fellows who are absent. When I see a congressman I am reminded of a little incident which occurred in Detroit. A gentleman with a little boy about six years of age was walking along the streets, when suddenly the boy pulled his father's coat, exclaiming, "Pa, there goes a congressman!" Said the father, "Hush, hush, my son, the Lord only knows what you may become when you grow up." The congressman of to-day is elected not because of his financial ability, but rather because he is a popular man and can be easily elected. [Applause.] It is not expected that the congressmen present will applaud this statement.

Now the proposition I would make is this: that when Congress assembles, instead of discussing the finances of the country as politicians they refer the matter to a committee of financiers selected from all parts of the United States, who shall in secret session formulate a practical financial system, and submit the same to Congress for its adoption without extended debate.

MR. WILLIAM SELBIE OF DEADWOOD, S. D.

I only want to say one word. It seems to me that perhaps a few speakers have been wandering a little from the situation. I can not agree with one of our previous speakers who said that it was a theory and not a condition that confronted us. It strikes me very forcibly that it is a condition that confronts us. What we want to get at is the

cure for this condition. Now I believe that the bankers themselves can help this situation very much by inspiring confidence in the people. I think that the present condition of panic has been brought about, perhaps, to a very large extent, by the bankers themselves. I think that when a man goes to his bank in a time like this and wants a small loan he ought to be able to get it, if he is entitled to it, if he wants to use it in a legitimate way, and if he wants to give good security. Sometimes a hundred dollars is a good deal and sometimes a thousand dollars is a small loan; but if a man comes to his bank for a small loan and can not get it, he naturally thinks there is something very wrong, and I am inclined to think that this has got a good deal to do with the present condition of affairs. I should suggest that bankers be more liberal in that way.

In a general way, the Sherman bill, of course, seems to be the root of all the trouble, and no matter what may be done in the silver question, it looks as though the Sherman bill ought to be repealed. I do not believe that if the Sherman bill is repealed there are going to be many treasury certificates given in for redemption. I believe that if we want more money we can get it in a very easy way, without making any unnecessary trouble. Now if the Government should issue the ten per cent national bank circulation they are now holding back on the United States bonds which the national banks have put up, and repeal the tax on circulation, there would be a large increase in the issue of national bank notes. That increase, with our present circulation, would be sufficient to meet all possible wants. I do not believe myself that there is any occasion for more money. Every one here knows that within the last few years a man in a small town, or any place mostly, will pay his little bills all over town by checks. Where he used to use currency he uses checks, and I do not believe that there is fifty per cent of the actual currency being used that there was ten years ago in ordinary business.

MR. JOSEPH MOORE OF PHILADELPHIA.

I rise in the name of patriotism, and I have the honor to represent one of the oldest and most honorable institutions that this broad land can show forth. I appeal to men of all sections to do that which will restore the prosperity which is innate in this land, which is to-day connected by steamer, by rail, by cable so intimately with the whole world.

I have been listening to you gentlemen who were standing up for silver, and I respect you, but I wish you could go to China and see the currency there. What is it? A conglomeration of silver coins, Mexican dollars, whole and clipped, the trade dollar, and what does the simple-minded Chinaman, as you call him, do? Immediately when you hand him one of these dollars he whips out a scale and puts it in and measures it by its standard of weight. Therefore, gentlemen, while I am unprepared to solve the silver question, I can enunciate this eternal truth, that you can not force silver unless you can make a dollar worth a dollar, not only here, but in Canada, in China, and everywhere. We must have a standard that will be the world's standard. Those of us who are on the eastern seaboard see to our sorrow that unless our securities are taken abroad we can not have prosperity in this land, and prosperity for the East means prosperity for the West.

I can not understand this outcry that has been raised against the national banks. Have not the national banks been the bulwark of the land through the last two panics? Was it not the twenty-five per cent reserve upon which the whole community rested and which was the salvation of the land? The national banks are as anxious to earn money as any institution can possibly be, but we can not lend money when we have not got it. We must obey the law and keep our reserve, and when we fall below our reserve we must restore it if we are to be a law-abiding people. That brings us to the question of the want of confidence. It is the confidence of the people in the twenty-five

per cent reserve of the national banks which makes those institutions the favorites of the land. In times like these we have accounts drawn from trust companies and deposited in national banks. Why? Because the reserve gives confidence and the confidence permeates everything; and it has been said here that confidence was sixty or seventy per cent, or something like that, of the amount of business done. It is more. There is but ten per cent of the business of this country done in absolute money or currency. It is done on paper. It is done through drafts or checks. It is done through our clearing houses. There is but ten per cent, as I say, of the business of the country done on absolute coin and currency, and it is apparent to everybody that it is of the utmost importance that this question of confidence should be based upon something which is accepted by all men and by all nations.

If it were possible to make the silver dollar absolutely worth one hundred cents and retain it there, I say let us have the silver dollar; but until our friends from the West can show us the way to accomplish that, I appeal to them, in the name of patriotism, in the name of prosperity, to give us a standard value of currency which will be accepted by all men as being worth its face.

Mr. D. C. Miles of Westminster, Mass.

The causes of the present crisis are many. The mere fact of the Government decreeing that a silver dollar is the exact equivalent of any other dollar, and authorizing the payment in silver at par of an obligation supposed to be payable in gold, thus depriving the payee of forty per cent of his just dues, has already caused foreign countries to return millions of securities demanding and drawing gold from our Treasury. The doings of Congress for the past few years have seriously injured the credit of the Government both at home and abroad. The continual purchase of silver at an actual loss so far of fifty millions of dollars, using

gold that might have been put to a better purpose, and the lavish expenditures for pensions and for the construction of expensive public buildings all over the land, have further depleted the Treasury. The national banking law regulating the operations of the national banks is very faulty, and through its deficiencies has been another disturbing factor in the sum total of causes that have produced the present unfortunate financial conditions.

The minds of the people are now alert and excited at the present condition of financial affairs and some speedy remedy is demanded. The early repeal of the Sherman law undoubtedly would do more to allay the excitement and restore public confidence at home and abroad than any other thing that can be done immediately.

But this is not all that needs to be done. A change in our national banking law is equally necessary, so that the banks may do the banking and furnish the circulation of the country. Let the Government retire from the banking business, but do it more honorably than it did one hundred years ago, when it repudiated two hundred millions of its paper then in circulation. The legal tenders, silver certificates, and two per cent bonds and unredeemed four and one-half per cents should be bought by the Government with four per cent taxable bonds issued for the purpose of furnishing a basis upon which the national banks may furnish the currency needed by the country.

The law should be changed so as to take away the existing prejudice against the system, removing all grounds for the charge of monopoly. The management of the post office department is generally approved, the offices being established all over the country for the benefit of the people. The small offices that are not self-sustaining are helped by the Government and the large ones pay a revenue to the United States Treasury. That of New York City pays over four millions annually to the United States Treasury after paying all salaries and expenses. A one per cent tax on the deposits of the national banks of New

York City above their capital would yield a like amount of four millions of dollars. The tax of one per cent should be taken off circulation, as this affects the smaller banks more than the larger ones, and has a tendency to prevent the issuing and circulating of the currency where it is needed. The banks should receive a dollar for every dollar in bonds that is placed with the Treasury as a basis for circulation. With these changes, and possibly some other minor ones, our financial matters would be placed on a satisfactory basis agreeable to and convenient for the people.

The national banks are subject to the laws of Congress, and have entered into contract with the Government for a twenty years' existence. This contract is contained in the charter, and by it the banks are required to invest a specified portion of this capital in Government bonds, reasonably expecting the Government to furnish the bonds and pay the same rate of interest that they were then paying. But the Government saw fit to sell all its bonds into the hands of brokers and speculators, and in issuing new bonds has reduced the rate of interest from seven and three-tenths to two per cent. This was well enough, but some compensation should have been made to the banks for the serious change in their position under the original contract thus effected.

On the contrary, no restrictions have been removed and no privileges have been granted in lieu of those taken away. This unwise legislation, and the removal of the tax on deposits while retaining the tax on circulation, has favored the large banks and crushed the small ones, and has created a prejudice against the system and given grounds for the charge of monopoly. The result is being experienced at present. The banks were compelled to withdraw some four hundred millions of the best currency the world ever saw; a currency every dollar of which was backed by one dollar and ten cents in Government bonds: a currency the people were pleased with and have perfect confidence in, passing from hand to hand all over the country just as readily as gold.

The banks were forced to sell their bonds and withdraw this four hundred million dollars of good money. The Government then goes into the banking business by issuing silver certificates backed by a silver dollar that is to-day worth fifty-two cents only in gold. The people can not be satisfied with such transactions. They would be pleased to see the Government withdraw from the banking business and let the banks, whose legitimate business is to issue bills, checks, and drafts for the convenience of the people, perform all necessary banking business and issue all currency; and with proper reductions in public expenses we may once more reach a prosperous condition, and need not even be alarmed if we should have a little surplus on hand to add to the sinking fund, so that we may be able to pay our debts as they become due.

Mr. Benjamin Mattice of Pueblo, Colo.

The causes of the present condition of affairs may be thus enumerated, in my opinion: *First.* The demonetization of silver blots out of existence half of the money of the world. *Second.* As half the output of gold comes from silver mines in combination with silver, and silver mines being shut down by the demonetization of silver, the output of gold will be reduced one-half, leaving only one-fourth as much money in the world available for ultimate payments as if we had a free coinage of both gold and silver. *Third.* When we reduce the volume of the money of the world to one-fourth what it was before silver was demonetized we increase the purchasing power of that remaining one-fourth to four times what it was before; and when we quadruple the purchasing power of money we reduce the prices of property and of labor in the same proportion. For twenty years, ever since the demonetization of silver, prices of labor and property have been falling. *Fourth.* No business prospers on a falling market. Stagnation of business, bankruptcy, enforced idleness, and a non-development of national resources are the inevitable consequences

of long-continued falling markets. *Fifth.* All the strikes in the country are caused by this continual increasing of the purchasing power of money and the consequent falling of prices of labor and of the products of labor. *Sixth.* Enforced idleness has thrown twenty-five hundred thousand laborers out of employment in the United States. *Seventh.* The increased purchasing power of money has doubled the burden of the United States debt; also of all State, county, and city debts; also of all railroad and other debts, amounting to many billions of dollars in the United States. *Eighth.* All this debt, as well as the doubling of the same, must be made out of the laboring classes, because labor is the only producer and the only class of men who bring wealth from the arcana of nature. All others are middlemen, only handling the products of labor for their own advantage, or idle consumers. *Ninth.* Falling prices and misery and destitution are inseparable companions. *Tenth.* The present financial policy is fast reducing the laboring classes to abject poverty and slavery. *Eleventh.* Our free institutions and the very existence of our republic are endangered by any longer continuance of this policy. *Twelfth.* Our only hope that the country will be rescued from the impending danger is the laboring classes, including the farmer. *Thirteenth.* The value of silver, without the advantage of being coined, has kept even pace with the value of all other commodities from 1873 to 1893, and, therefore, is a correct measure of values, and the only honest money. *Fourteenth.* Every business prospers on a rising market. Labor is stimulated to activity in all departments of industry. A great development of national resources and a great balance of trade in our favor follows long-continued rising markets. *Fifteenth.* The free coinage of silver would create rising markets in every department of industry, a much greater development of our national resources and a great balance of trade in our favor, and thereby bring the gold, as well as the silver, into our country instead of running the gold out.

Silver is a true index of values. By comparing the price of silver with the market prices of commodities of any kind, it will be seen that the value of goods of every description has kept an even pace with the value of silver every year, from 1873 to 1893. I mean the intrinsic value of silver, without the advantage of being coined into money, has been a true index to the values of all other commodities, and, therefore, during all this time, it has been a correct measure of values. How, then, can it be said that it has been depreciated? To-day it buys as much wheat or cotton, food or clothing, property, real or personal, or anything else that mankind has any use for, as it ever did. Surely a metal that retains such uniform purchasing power, for universal use, has the most desirable properties as a money metal, and as a just measure of values it is the only correct circulating medium, and the only metal now in use that can be called *honest money*. But how is it with gold? Gold, by its present scarcity (the output thereof growing less and less every year as compared with the business and population of the world), and by the demonetization of silver, has been so appreciated in value that its purchasing power has been doubled. *Silver has not been depreciated*, but gold has been appreciated. The value of gold has not kept pace with the values of the commodities of the world, but to-day will buy twice as much wheat or cotton, food or clothing, property, real or personal, or anything else that man has any use for, as it did when silver was demonetized. Therefore gold is not a just measure of values. It is not a fair circulating medium, but is dishonest money, made so by dishonest and underhanded legislation, and is now used as an instrument in the hands of dishonest creditors by which they extort and wrest from the honest debtor twice as much of anything that he may have to pay his debts with as could have been done with the same amount of gold before silver was demonetized. By demonetizing silver they have doubled the value of the holdings of the creditor and

doubled the burden of the debtor. By demonetizing silver they blot out of existence half of the money of the country, and thereby double the purchasing power of the other half, which is gold, and then measure the silver by the gold thus enhanced in value and call silver dishonest money because it is not also equally enhanced. They have drawn the values of the two money metals apart by legislation, and now claim that their parity could not be maintained if silver should be remonetized. But our experience during nearly the whole of the first century of this republic, as well as the experience of the world for centuries, and for thousands of years previous to the existence of this republic, is directly to the contrary. Up to 1873 there had always been a free and unlimited coinage of silver in the United States, and during all that time sixteen grains of silver had been worth more than one grain of gold, and when it was demonetized in 1873 in that proportion it was worth three per cent more than gold. Surely it was honest money then. We had never heard of any difficulty in maintaining a parity between the two money metals up to that time; at least silver had kept up its end easily enough. Then why did they demonetize it? Certainly not because they were afraid that the parity of the two metals could not be maintained in that proportion, but they did it to increase the purchasing power of money, and of course increase the value of their holdings of paper payable in money; but in doing that they increased the burdens of the makers and indorsers of such paper, and lowered the prices of property and of labor in the same proportion. As the purchasing power of money goes up, so the prices of property and of labor go down, and thereupon follows a falling market in all lines of trade and in every department of industry and a standing still of labor, because no business prospers on a falling market, and with a standing still of labor follows a non-development of our natural resources and a balance of trade against us. Bankruptcy, distress, and the enslavement

of the masses are the ultimate consequences of such a policy fully carried out.

But this has been the policy of the United States during the last twenty years, continually increasing the standard of value and lowering the prices of property and of labor. It is estimated that at this time there is a standing still of labor to the extent that it is causing the enforced idleness of 2,500,000 laborers in the United States, which at the average price of two dollars per day for three hundred and twelve working days in the year amounts to $1,560,000,000, a clear loss sustained by the laboring class alone every year by reason of being thrown out of employment by this policy, and this is besides what they lose by lowering of their wages.

But this is not all. Labor is the only producer, and when labor stands still then the wealth of the country remains hid and useless in the arcana of nature. There is then a non-development of our natural resources just in proportion to this standing still of labor, and of course our exports are lessened just in the same proportion. Under such a policy the farmer cultivates less land, and what little may be spared for exports he gets less price for. The miner shuts down his mine, because it does not pay to work it; hence there is again less to export. The manufacturer stops the mill, because it does not pay to run it; again there is less to export.

We have heard a great deal about the free coinage of silver making this country the dumping-ground for the silver of the world, and driving the gold away from us. Let us see how that would work. We have shown that it would greatly increase our exports as compared with our imports, and thereby cause a great balance of trade in our favor. Now this balance of trade in our favor would have to be paid in money, and if the money of other countries is gold, then they will pay us in gold, and the gold instead of going out of the country would be coming in by a strong and steady flow. The fact is, that it is the only way by

which we can bring the gold from other countries and keep what we have; that is, by adopting a policy by which we reverse the present system of falling prices and create a scaling up of prices in all the departments of industry, a renewed and increased activity of labor, and a consequently greater development of our own natural resources. This would be the effect of the free coinage of silver, as it would lower the purchasing power of money and increase the prices of property and of labor in the same proportion, and would bring the purchasing power of gold down to what it was when silver was demonetized.

No business prospers on a falling market. Every business prospers on a rising market. Labor is active when business prospers, and natural resources are developed when labor is active. The balance of trade is in our favor in proportion as we develop our resources as compared with other nations, and money flows into our country just in proportion as the balance of trade is in our favor. Hence the dumping-ground theory is a mistake — a device of the wicked to deceive the innocent. It is on a par with the cry that silver is dishonest money, when in fact it is the only honest money, since it keeps pace in value with the value of all other commodities, while gold is the dishonest money because it don't, but buys much more than it ought to.

But again they say to the laborer, "You do not want to be paid for a day's work with a short dollar," as if the laborer could receive high wages when the employer is selling on a falling market for small prices. The fact is, the whole shot comes ultimately out of the laborer, because labor is the only producer. This is readily seen when we consider that all wealth is originally hid in the arcana of nature, and it is labor that brings it out. With the farmer it is in the soil; with the miner it is in the mine; with the manufacturer it is by changing the form of the raw material, that an increased value is given to the raw material; and so with everything. It is labor that develops its value. When labor stands still it remains latent and hid; when

labor is active it is developed and becomes useful. Therefore, labor is the only producer. Labor is also the correct measure of all values. The value of everything is measured by the labor which it costs to produce it; therefore, legislation, which enhances the purchasing power of the dollar, lowers the price of labor, because the dollar then buys more labor, and as labor is the measure of all values, it buys more of everything else. Take, for instance, the farmer. He may have a good season and raise a large crop, but when prices for grain are very low he realizes only a small amount of money out of his big crop, and in a bad season, with a small crop, he realizes still less. Under such circumstances he can not pay his men high wages. The demonetization of silver has lowered the prices of grain in this country until it ruined the agriculture of the whole country. It is true that famines in other parts of the world during the last year have helped us out some, but it is not to be hoped or desired that these famines will continue. And then times will grow worse and worse with our farmers if the currency of the country is kept on a gold basis, and the output of gold growing less and less, while the population and business of the country are continually increasing. As it has already reduced farming products in many places below the cost of production, what will be the end if this policy is to be continued?

Then take the case of the manufacturer. He buys his ground and builds his plant. It may cost him one thousand, ten thousand, one hundred thousand, or one million dollars, or more; but he starts at a time when prices are falling, because the purchasing power of the dollar is being continually increased, and by the time he is ready to run, and before he starts a wheel, he finds that every dollar's worth of labor as well as of material that has gone into that plant and grounds could then be bought cheaper, and he is already a certain per cent out. Then he buys his raw material and hires his men. But by the time he gets his manufactured articles ready for the market he finds that the price of those

articles has fallen and that he can not come out even. He then says to his men that they must take less wages or he can not run. Well, perhaps they submit to a reduction of wages, and at the end of the next year he is obliged to go to them with the same story of falling prices, and so the year after; and it has been the same old story for the last twenty years, ever since the demonetization of silver, and laborers are becoming so desperate that they have organized into unions, that by combinations they may unitedly resist the continual lowering of their wages. Poor fellows! They ought to see that their wages must go down as the price of manufactured articles goes down. A ton of iron does not now bring more than half what it brought when silver was demonetized, and the same is true of every other manufactured article and all farm produce. What makes it worse for the laboring classes is that the retail price of articles of food and clothing as they come to the consumer are not proportionally reduced. This is an age of combinations, trusts, and monopolies, and these speculators stand between the producer and consumer, and keep the retail prices to the consumer much higher than they would otherwise be; and thus the laborer — often out of work by enforced idleness, and when permitted to work his wages reduced to the lowest figure possible by the sharp competition for work, there not being work enough for all — is placed between the upper and nether mill-stones, and is making a fight for very existence.

But laborers will no longer consent to a reduction of wages, and hence the strikes all over the country. If there are laborers who will consent to it the strikers won't let them, and then the mob law prevails. Then comes in the State militia with charged guns and fixed bayonets and compels a submission. But where will the end be? Is the laboring population of these United States to be reduced to abject slavery by military force because the money power buys up the newspapers and buys up the voters, and also buys up the law-makers, thereby securing legislation by

which they continually enhance the purchasing power of the dollar, and make the rich richer and the poor poorer, millionaires more plentiful, but the masses begging for work or filling the country with tramps? The fact is, the gold dollar is the dishonest dollar, made so by unjust and unfair legislation, and the demonetization of silver is a fraud perpetrated by a trick of the law upon the people, which ultimately rolls its crushing burden upon the laboring classes. It is the greatest crime of this or any other age, because there is no other that compares with it, either in the amount stolen, the magnitude of the crime, or the distress it has caused. Never did this nation make a greater mistake in its national legislation. It not only doubled the burden of the national debt, which ran up into billions of dollars, and doubled the burdens of all the railroad debts, and all the State debts, and all the city and county debts, and all the notes, bonds, and mortgages due to banks, loan trusts, and other creditors, in the aggregate many times the national debt, but it also caused such a stagnation of business and a standing still of labor as resulted in a loss of many billions of dollars more — a much larger loss than what doubling the national and other debts amounted to, because it is an axiom of business that no productive business can prosper on a falling market, and the market price of farm produce, of articles of manufacture, and of everything else must fall as the purchasing power of the dollar increases.

It is also just as clear that the employer can not pay high wages when he is compelled to take small prices for his produce. As the price of the article produced falls, the price of the labor that produced it falls with it, so that ultimately the fall invariably comes upon the laborer. And it is also true that the enormous debt of the United States, and all these other enormous debts, as well as the doubling of them, come ultimately out of the laboring class, because, as shown before, labor is the only producer, and the laboring is the only producing class. It is labor that brings

wealth with which to pay these debts and sustain this loss. All others, standing between the producer and the consumer, are middlemen, only handling the produce for their own profit and not making the article produced either more or less. It is undoubtedly true that middlemen, as speculators, often sustain great losses in dealing in articles while the prices are falling, but that is by reason of mistakes made in their calculations, in the management of their business, and not a necessary result of the business if managed on correct calculations. On the supposition that the middlemen make their calculations right, and take only legitimate profits, doing a fair and conservative business, then the loss must necessarily come out of the producer, which always means the laborer, because he is the only producer.

MR. CHARLES PARSONS OF ST. LOUIS, THE CHAIRMAN.

Gentlemen, we have been here five days in succession. We have listened patiently to the various papers that have been read, and with great pleasure to the most of them. I have no doubt that those gentlemen who have been regularly here have received an amount of information that they have not had before. Especially on the silver question they have received a very large number of arguments and statements of fact, theory, and history on both sides. The question whether these congresses, so called, are to be of ultimate value depends upon the attitude and the mind with which people come to attend them. If they come with an unbiased mind, with an intention to learn whatever they can, to receive whatever information is given to them fairly and judicially, then, of course, they will be very beneficial; but if men come to a meeting of this description with a mind irrevocably made up, with an intention to learn nothing and to acquire nothing, then these congresses will be of no account.

I feel compelled to notice a few remarks that were made

by a gentleman from my own State in regard to the bankers of New York. It seems to me in bad taste to attack those gentlemen. Many of you are acquainted with the gentlemen that control the banks in New York. They are not misers, they are not men who wish to oppress the people. They are men who recognize the enormous responsibilities that devolve upon them as controlling virtually the purse-strings of the country. They, I believe, from my acquaintance with those gentlemen, intend to do justice to all people that do business with them. The gentleman said that you had to go with your hat in your hand to Wall Street to get money. I have gone to Wall Street in 1873 and asked for a loan of one hundred and fifty thousand dollars, and I had no difficulty in getting it, because my request was reasonable. The value of my account to the bank of whom I asked the favor was such that they felt they must recognize it. Every business man knows that a bank must recognize the people who do the best business with it. It is unavoidable; and bankers should not be called Shylocks or misers because they do business upon business principles. If the bankers of New York had certain views upon the gold question, it does not follow that they are rascals or scoundrels. If you will look throughout this country at the various benevolent institutions that you will find here and there, you will find thousands, and tens of thousands, hundreds of thousands, yes, millions, given by gentlemen connected with the various banks in New York. You will find right here in the city of Chicago an institution of the greatest magnitude largely aided by them. The bankers of New York are like the bankers of Chicago, and the bankers of Chicago are like the bankers of St. Louis.

Right here, at this moment, this magnificent Exposition, as I said the other day, the wonder and pride of the intelligent people of the civilized world, owes largely its success to bankers. Bankers, four of them, are the leading men in this Exposition—Mr. Gage, who was at the head, Mr. Odell, Mr. Keith, and Mr. Charles L. Hutchinson. The latter

gentleman is at the head of the institution which we now occupy for our sessions. It is through his influence and his efforts that the Art Association of Chicago has been founded, and it is through him that it stands on such a substantial basis as it does, with this magnificent building here. Then we should hear no more denunciations of bankers, no more denunciations of them as money lovers and misers. They represent capital. They represent widows, orphans, business people of every description. The stockholders in their banks are thousands and thousands of people, and all that a good and honest banker should desire to do is to represent thoroughly the people whose stock he controls, and also to generously, nobly, and manfully step up to the relief of the business community in just such times as we see at present. This is no time for a good banker to show a want of courage. He should sustain every good business man to the extent of his ability, and if necessary go to the point that the bankers of New York City have done—these gold-bug scoundrels—and issue certificates pledging the common property of all to the common benefit of the whole people of the United States. [Applause.]

But there is another thing aside from the silver question. I think that perhaps we people in the United States trade too much abroad. We have involved ourselves during the last year in an indebtedness of a hundred million dollars. In 1884 I was in the city of London, and conversing with Mr. Lowell, he said that it was impossible for him to see the people that came to London. "Why," he said, "there were fifty thousand Americans passed through London in 1883." I said, "Mr. Lowell, how many Americans went to Europe that did not come to England?" "Well," he said, "ten thousand more. There are sixty thousand people." "How many dollars," said I, "do you suppose they spent in Europe?" "Not less than one thousand." There is sixty million dollars. I have no doubt that in 1892 one hundred thousand Americans went to Europe, and that one hundred thousand Americans spent one hundred million dollars

there. Here in America we have the greatest scenery, the most remarkable and wonderful that exists in the world. Why should we go to Switzerland when we can go up here to the Yellowstone Park and see the magnificent geysers, which are all that are of any consequence remaining in the world since those in New Zealand were destroyed? Then that wonderful gorge of the Yellowstone, resplendent in varied colors, and with a waterfall three hundred and sixty feet high. Then go to the Grand Canon of the Colorado, a scene, I venture to say, without repetition or comparison in the world's history. There is a panorama of the most remarkable, wonderful, and varied description. No American should consider his education completed till he has visited the Grand Canon of the Colorado. Then there is the Yosemite, with its wonderful scenery. Why, gentlemen, we are rich beyond comparison in everything in this country. We should be Americans. We should be proud of America.

Now I wish to say one thing more in reference to this Exposition and in compliment to the people of Chicago. I have been every afternoon to this "White City." I was astonished when I first got a glimpse of the buildings, the lagoons, the wonderful scenery embraced in it, and the varied products of all nations there spread out. Why, we used to think we had quite a little exposition building in St. Louis. It occupied two squares of ground, but you could put it in one of these buildings, and one of the smaller ones at that, and not miss it. I think that we ought really to pass one resolution before we adjourn, and that is a resolution in honor of the magnificent enterprise and the great patriotism of the people of Chicago who have celebrated the Columbian Quadricentennial in this magnificent manner.

Correspondence with President Cleveland.

The following correspondence with the President of the United States was sent to Mr. Lyman J. Gage, chairman,

by Mr. Lazarus Silverman of Chicago, and was presented to the Congress at the Symposium, and ordered to be received and printed. It includes a letter of Mr. Silverman to his excellency President Cleveland, and its acknowledgment by the President, and also Mr. Silverman's letter to Mr. Gage inclosing the correspondence:

CHICAGO, June 20, 1893.

LYMAN J. GAGE, ESQ., *Chairman.*

Dear Sir: As a contribution which may prove interesting to bankers, I beg to hand you a copy of a letter which I have sent to the President of the United States, and of the answer thereto, respectfully requesting that this may be read before the meeting.

Very truly yours,
LAZARUS SILVERMAN.

CHICAGO, March 10, 1893.

HIS EXCELLENCY GROVER CLEVELAND, President of the United States, Executive Mansion, Washington, D. C.

Your Excellency: The credit of the United States until lately stood the highest of any nation on the face of the earth, its two per cent bonds selling at par. Its revenues have been so great that the money received by the Government exceeded its expenditures. This occasioned the distribution of the surplus income in pensions to the soldiers and sailors who were injured during the war, and the amount so distributed has increased to $166,000,000 a year. A government so rich in resources and so magnanimous should protect the credit of its issues to their full value.

The Congress of the United States has made it obligatory upon the Secretary of the Treasury to purchase certain quantities of silver bullion at the market value, and take a given quantity for coinage into silver dollars, the particular quantity in each dollar costing the Government anywhere from sixty-five to eighty cents. The Government

puts its imprint or stamp on the dollar so coined and pays it out for a full legal-tender dollar, and makes it obligatory that it shall be received for a full legal-tender dollar. At the same time the Government has taken a piece of paper and made it into a bank note, and put its imprint or stamp thereon and decreed that this piece of paper shall represent a dollar. Both are Government issues, paid out by the Government for full dollars. Whether the silver dollar is worth as bullion more or less in the market, it is nevertheless a Government issue, representing one hundred cents, as much as a gold certificate, and both should be treated alike by the Government. The Government owes and guarantees the holder of the silver dollar the difference between its bullion and its legal value. People at home and abroad have not full confidence that this Government will redeem its issues at par, and hence those in foreign countries send their American securities back and get gold therefor, fearing at some future day that they will have to take silver certificates or silver dollars that may be worth sixty-five cents, more or less, as substitutes for dollars worth one hundred cents in gold. If an act of Congress were passed providing that all the issues of the United States, including the issues of silver dollars or certificates, shall be redeemed in gold, the confidence of the world at large would be at once restored and gold would accumulate in this country instead of leaving it. The ways and means by which the Treasury should strengthen itself to carry out such an act of Congress are manifold, and different people have different ideas on the subject.

The question how much gold is necessary to protect between four and five hundred millions of silver issues would be settled by adding fifty millions more to the Government gold reserve and issuing no more silver for the present until gold shall again accumulate in proportion in the Treasury. The great point to be gained is the restoration of confidence. The ability of the Government to pay requires no additional legislation; that is established

beyond a question. The only doubt is, "Will the United States pay one hundred cents on its total issues in gold?"

I hope you will excuse the writer for taking the liberty of addressing your excellency on this subject, as the writer had the honor in 1873 to suggest some plans for the resumption of specie payment to the Hon. John Sherman, then chairman of the Senate Finance Committee, which suggestions were appreciated by that gentleman.

I have the honor to be your most obedient servant,

LAZARUS SILVERMAN.

EXECUTIVE MANSION, WASHINGTON, March 13, 1893.

LAZARUS SILVERMAN, ESQ., Chicago, Ill.

My Dear Sir: Your letter of the 10th instant, addressed to the President, has been received and referred to the Secretary of the Treasury for his consideration.

Very truly yours,

HENRY T. THURBER,
Private Secretary.

RESOLUTIONS.

The Symposium was the last meeting of the delegates of the World's Congress of Bankers and Financiers. At its close, being the close of the Congress, the following resolutions were passed unanimously:

Resolved, That this Congress do hereby tender a vote of thanks to the Hon. Lyman J. Gage, and Mr. Charles Parsons of St. Louis, for the able, fair, and impartial manner in which they have performed the duties as chairmen of this Congress.

Resolved, That the thanks of the Congress of Bankers and Financiers is hereby unanimously tendered to the people of Chicago, and especially to the directors and managers of the Exposition, for the magnificent entertainment they have and do now offer to the world, and the Congress trusts that its success may equal its merits.

STATE AND TERRITORIAL BANKING AND RESOURCES.

PAPERS PREPARED BY DELEGATES FROM THE SEVERAL STATES AND TERRITORIES SPECIALLY APPOINTED TO THE CONGRESS BY THE GOVERNORS OF THE RESPECTIVE DIVISIONS.

BANKING AND RESOURCES OF ARIZONA.

By W. L. Van Horn of Tempe.

ARIZONA is to so many terra incognita that people wonder what good can come thence. At home I am not a boomer, but now that our friends from Texas and Kansas have made new world's records in boom speeches I can not forego my opportunities lest I be counted as nothing both here and at home. To hear, even in this assemblage of eminent bankers and grave financiers, such praises of the States whence come our members argues well for our nation. Though I may not concede to my brother all that he claims as surpassing other States, I rejoice that he can find so much of truth to urge for his home-land as pre-eminent. I rejoice with him, and ask him now to consider the Territory whose beauties and excellences it is my pride to have the honor of presenting.

The percentage of crime to the area is much less with us than in any of the States, and the percentage to population less than in three-fourths of the members of our nation. On the other hand, we find well-attended churches at every hamlet, and schools wherever the parents or guardians of ten school children ask it. The standard of method and work is kept very high, and we spend more money in ratio to the number of pupils than any other State or Territory. We have uniformity of text-books and compulsory attendance within fair limits. At Flagstaff we are building a reform school for minor convicts. For higher education there are several private academies, besides the university at Tucson and the normal school at Tempe. Both these institutions are under territorial management, are well equipped, and have bright, capable educators at their head.

Two great transcontinental lines cross within our borders, the Santa Fé through the northern part and the Southern Pacific through the southern. The completion of the Santa Fé, Prescott & Phœnix Railroad, now being rapidly pushed, will connect the through lines and bring all parts of the Territory in closer union. We have six other railroads in actual operation.

Our health-giving climate makes us the sanitarium of the world; and we can give you all varieties of climate, from the lowlands of the south, where cold is a stranger and snow is never seen save on the distant mountain-tops, to the plateaus of the north, where is frost every month in the year and snow always almost within reach. Magnificent pine forests, larger in area than the State of New York, cover the northeastern part of the Territory. From the top of San Francisco Peak you can see with one "blow of the eye," as the French neatly put it, timber enough to build all the railroads west of the Mississippi; can see within a radius of seventy miles lands of all climes, from tropic to frigid, with vegetation and animal life as widely varied.

Our mineral resources are unbounded. It was the sage Humboldt who said, "In Arizona and New Mexico will be found the mineral wealth of the world." Her mineral output since 1876 has been a full hundred millions of dollars. Gold, silver, iron, copper, lead, coal, onyx, rock-salt, asbestos, and other valuable and rare minerals constitute important parts of the resources and exports of the Territory. The plateaus of the northeast afford extensive range pasturage, than which there is none better in the world in points of utility and healthfulness. The beeves fattened upon the nutritious plateau grasses or the alfalfa fields of the valleys furnish meat as fine and juicy as the world knows. On these plateaus have been bred and developed the French-American merino sheep, the best all-round range-grown mutton-producers and wool-growers of the world.

Everyone who enters by the north door of the largest

building in the "White City" yonder knows we have a sort of monopoly on petrified forests; but not everyone knows within our borders we hold complete monopoly of the greatest wonder of the world, the Grand Cañon of the Colorado — Nature's grandest and most indescribable marvel, beside which all else of grandeur and unique beauty of scenery pales into insignificance. Pile all the tall buildings of your queenly Chicago one upon another and they would not reach its depth. The whole city might be lost in one of the numberless side cañons. I speak but sober truth when I say that looking into its depths, full fifteen miles wide and a mile deep, you can see chiseled in massive mountains every form of architecture, upon a scale grander than human mind can conceive or tongue describe. Nor in the products of the soil will we yield the palm to any land. Our valleys and our plateaus grow plump-grained wheat, and all the cereals and vegetables thrive in different parts of the Territory. For fruit products we find prime oranges, lemons, almonds, olives, grapes, figs, bananas, berries, etc., in the valleys of the south; and on the higher lands of the north luscious peaches, pears, apples, and the hardier fruits.

The lands under the Salt, Gila, Colorado, Verde, and other streams exceed those of the Nile for fertility under irrigation, and where once the *sahuara* and the gila monster exercised sole dominion are found beautiful homes, green fields, fruits of all kinds. In the Salt River Valley alone are over two hundred miles of main irrigating canals reaching near half a million acres of fine arable lands. In Maricopa County are three million acres capable of reclamation under the different storage and irrigation systems now in operation or construction. Ten acres are amply sufficient to afford a comfortable living for an average family. Evidences show that in prehistoric times countless thousands inhabited these valleys — in many instances the remains of their large canals have been utilized in the construction of present systems. We have room and excellent

opportunities for hundreds of thousands, to whom we extend cordial welcome. In legislation we are progressive. We have adopted the Australian ballot system, upon which we have ingrafted improvements to meet defects found in its workings elsewhere. Twice have we come within a very few votes of extending to our fair women the privileges of the ballot.

Under our banking laws, which have just come into effect, the territorial auditor is constituted bank comptroller *ex officio*, with powers of visitation and examination into affairs at least yearly, and oftener in his discretion. His powers to call for general reports semi-annually are very similar to those of the comptroller of the currency, and these reports must be verified and published. All banks and bankers are required to maintain a reserve of fifteen per cent of the aggregate amount of deposits and any sums owing on account of money borrowed. All persons, firms, or corporations publicly receiving moneys on deposit or paying out on checks are held to come within the provisions of the bank act. The auditor reports to the attorney-general cases of insolvency or violation of instructions to discontinue practices tending to insolvency, who thereupon brings action in the district courts to restrain the bank by injunction from further continuing business if found insolvent. And a severe punishment is prescribed for failure by the bank comptroller to report cases of insolvency. Directors of savings banks and savings and loan corporations are forbidden to contract any liability whatever except for deposits. Depositors are given prior rights to the capital stock and assets as security, and no loans can be made to directors or officers either directly or indirectly. Upon each declaration of dividend at least five per cent of the net profits must be held in the reserve fund, which remains intact until dissolution, but may, by by-laws, be limited to a hundred thousand dollars. At least fifty per cent of savings bank loans must be upon first mortgage or other prior lien on real estate in the Territory, and no investments or loans

can be made in mining shares or stocks under heavy penalty for violation.

No statistics are at hand or yet available as to the number, resources, and liabilities of our banks. Suffice it to say that all are in good condition and successfully withstanding the storm now sweeping over us. It did not need the lesson taught by Australia's failures to restrain our bankers from making loans on basis of real estate held at inflated values.

In conclusion, allow me to say that we find silver very convenient to handle, preferring it to small bills. We prefer a silver dollar with some intrinsic value, even if not more than fifty cents, to a paper dollar whose intrinsic value is nothing, and which is worthless as a general medium of exchange when issued by the State banks, or may go at a heavy discount, no matter what its source, upon suspension of specie payments. We believe that the volume of our currency is inadequate to meet the business issues and needs of the day, and that it should be increased. We do not believe that its increase by the coinage of silver at the rate of a dollar per capita, or even more, annually will ever clog the wheels of progress or retard our commercial expansion. Nor do we believe that it can have any but beneficial effect in good times or hard times, no matter what the whole wide world outside us may do with silver. We, better than any nation on earth, can stand alone on any question affecting the vital interests of mankind. I believe the time is coming, and hope some of us may live to see the day, when there may be an international medium of exchange, a legal tender everywhere. I earnestly believe the trend of modern advancement is to unification of manner and method, and to throwing aside all hindrances thereto. With the comity of nations a fixed but increasing quantity, with arbitration substituted for war, with an international money and less waste of effort will come "peace on earth, good will to all mankind."

BANKING AND RESOURCES OF CALIFORNIA.

By Benj. C. Wright of San Francisco.

As the representative of California, appointed by Governor Markham upon the invitation of this body, through its secretary, I am instructed to present for your consideration some remarks on the banking system and resources of California. Born into the Union in 1850, we made the thirty-first star to the old flag we all love. Since then thirteen more stars have been added. With thirty States ahead of us and thirteen behind us, our position in the family is one of receiving and giving instruction. We do not claim all the wisdom of the older States, nor of those more recently created. We are here to learn, as well as to impart to others the benefit of our experience. We are here to compare notes and receive suggestions. If we all put into this Congress the best we have to offer, we shall each take out of it more than each put in.

The banking system of California has many points in common with other States. It also has some features that are peculiar to itself. Like other States, we have what may be called the composite system. We have national banks, State banks, and foreign incorporated banks. We have incorporated commercial and private banks, and savings banks. A peculiarity of our savings banks is that nearly all of them are capitalized, though we have two conducted under the mutual system, so common in other States. We have one State bank incorporated under the laws of Colorado. Our foreign banks are all incorporated under the laws of England, and though only branches, are more important than the head.

In the original organic act of the State, adopted in 1850,

as well as in the new act adopted in 1879, it was specifically provided that there should be no banks of issue. This was a peculiar stand for a State to assume in 1850; but we do not seem to have suffered from the act. We simply anticipated what practically happened to all the States fourteen years later, when Congress taxed State bank notes out of existence. Having commenced to do business on a hard coin basis, we have experienced no difficulty in maintaining our position to this day. Because we banked on solid foundations, our State escaped all the evils of the paper inflation incident to the war, and which culminated so disastrously to so many just prior to the resumption by the Government of specie payment. We had some of those depreciated paper dollars between 1863 and 1879, but they passed only at their coin value, and nobody was injured.

Our State constitution holds stockholders liable for their pro rata of the debts of the corporation, and it holds directors and trustees jointly and severally liable for moneys embezzled or misappropriated by officers. Banks are prohibited from holding real estate, other than that needed for the business of the corporation, for a longer period than five years. Foreign banks are not allowed any favors withheld from State banks. The rights of stockholders to mass their votes on one or more directors, at the annual election for such officers, are guaranteed by the Constitution. There are statutes to enforce all these and other provisions of the organic act. Section 3608 of the Political Code, applicable to the business of banks and banking, exempts from taxation all shares of stock, on the ground that the property for which the shares stand is taxable, and to tax it and the shares would be double taxation, and therefore unjust.

Five persons are necessary to form a corporation, but the number is not limited to five. Articles of incorporation must be filed in every county where property is held to have a standing in court. Dividends to stockholders can only be made from surplus profits. A two-third vote is essential to declare the office of a director vacant. Stock must be voted

in the name of the person owning it, as found on the books ten days prior to the election. Officers are liable for any material misrepresentation of the condition of the corporation whereby anybody is injured. Every bank must keep its registry of the names of stockholders open to all stockholders, depositors, and creditors, and must suspend in a conspicuous place in the office a list of the directors and the shares held by each. Married women may hold stock in their own names and transfer the same at will, and also receipt for dividends without the signature of the husband. The limit for which a corporation can be formed is fifty years, but there is nothing to prevent reincorporation at the end of that period.

Loans of savings banks are limited to six years, but, of course, may be renewed. Depositors in savings banks have a prior claim over stockholders in the assets of the bank, but the by-laws may provide the same security for the deposits made by stockholders. Buildings owned and occupied by savings banks may reach a value of $250,000. Savings banks having a capital of $300,000 are allowed to make loans on personal securities, except mining stocks. At least fifty per cent of the loans must be first-class liens on real estate at not over sixty per cent of the market value. Married women and minors may, in their own right, make and withdraw deposits and receive dividends. Savings banks may issue general or special certificates of deposit. Directors in savings banks are prohibited from borrowing the deposits or funds of the bank, either directly or indirectly, or as the partner or agent of others. Dividends on deposits are paid semi-annually on January 1st and July 1st. Most of the banks recognize two classes of deposits, term and ordinary, the former generally receiving one-fifth of one per cent more interest than the latter. Mortgages are taxable, and are deducted from the assessed value of the real estate on which they have been placed. The legal rate of interest is seven per cent per annum, but there is no restriction as to the commercial

rate, though of late years this has been six to seven per cent for the average class of loans, real and personal.

Prior to 1878 there was no State supervision of the banks. In May of that year a board of three commissioners, authorized by the Legislature, took the oversight of the incorporated banks. They examine every one of these banks at least once during the year. The expense of the commission is borne by the banks, the assessment being pro rata on the deposits. The first banker's clearing-house on the Pacific Coast went into operation at San Francisco in March, 1878. Now these labor-saving institutions are to be found in all the larger cities in the State. The methods of banking are generally similar to those pursued in other States. There are perhaps more overdrafts here than elsewhere. The reason for this is the comparative absence of the note system. Few notes are exacted between merchants. In lieu thereof we have semi-monthly mercantile collections, a custom inaugurated when our only means of communicating with the Atlantic States was by the Panama steamers. While it is admitted that we have long since outgrown that system, there are still some good features about it in the way of enforcing short credits. Still, there is an urgent demand for the note system as a means for increasing the capital of the distributing merchants. Besides, such a system has a tendency to diminish overdrafts and raise the standard of mercantile honor.

Most of the loans on personal security are represented by single-name paper. There is less of two-name paper in the banks, in proportion to the amount of personal notes, than, perhaps, in any other part of the country. At first glance, two names to a note appears to be the better plan, though the question of security which two names gives often leads to carelessness. One-name advocates claim that there is less worry in looking after the assets of the maker of the note than of the maker and the indorser. Where the maker of the note only is relied upon, the amount of credit is confined to narrower limits, and that, after all, is perhaps

the chief merit of one-name paper. The custom of discounting notes is not observed to any extent in the State. It has its advocates, who claim that it affords a kind of elasticity in loanable capital that is frequently very much needed, but so far there is little business in the hawking of notes between the banks or private money lenders.

California banks rest on the most solid foundations. Gold has always been the metal of account. We came by the custom in a natural way. It was the product of the State, and for many years its chief product. It was reserved for California, not only to produce all the gold needed for local currency uses, but to furnish the whole country with the keystone on which its financial fabric rests. All the gold now in the United States, or its equivalent, has come out of the mines of California. It is estimated that this State since 1848 has produced at least $1,200,000,000 in that metal. It was California capital that has added since 1861 over $300,000,000 of gold and silver from the mines of Nevada. It was providential for this country that these treasure-houses of solid wealth were opened prior to the war, and were in full blast during the war. How the credit of the country could have been sustained during that trying ordeal without this liberal outflow of the precious metal it is difficult to realize. Gold began to be shipped from San Francisco to the Atlantic States in liberal amounts as early as 1850. In 1851 the total sent out was $34,000,000; in the following year $46,000,000, and in 1853 there was $55,000,000 or more sent away.

Marvelous prosperity was witnessed here from 1851 to the middle of 1853. Money was rapidly made, fire-proof buildings were multiplied in San Francisco, merchandise was ordered from the East in large quantities, and speculation in all directions was rampant. There was an unfavorable turn to the condition of things early in 1854. Gold shipment fell off $4,000,000 as compared with 1853. Of a thousand fire-proof buildings in San Francisco in the middle of 1854, at least three hundred were vacant; as many

as two hundred bankrupts were recorded that year, with deficits averaging $30,000 to $40,000 apiece, out of a population of not over 40,000. The depression continued throughout the entire year.

The first important trouble among the banks of San Francisco occurred in February, 1854, when Page, Bacon & Co., who had bought $20,000,000 of gold-dust during the previous year, went under, through some embarrassment of the parent house in St. Louis. On the following day Adams & Co., who had built up a large express traffic as well as banking business, went down, owing depositors over $2,000,000. Other bank failures followed, including Palmer, Cook & Co. It was a time of much excitement. All the banks involved were private institutions. There were no incorporated banks then in existence in the State. The six principal banks in San Francisco in May, 1851, were Page, Bacon & Co., Burgoyne & Co., Wells & Co., Argenti, James King of William and H. M. Naglee. These all disappeared, as bankers, years ago. Mr. King, who subsequently founded the *Bulletin*, was killed while trying to rid the city of a bad element. Mr. Bacon was spared until the present year.

While the early currency of California was gold, it was not all of the regulation mint standard. Gold-dust, just as it came from the mines, was frequently used in the exchanges. Merchants received this dust in trade at the rate of sixteen dollars per ounce. Its coin value was much less, sometimes commanding only ten dollars. Collector Harrison disposed of all he had received for duties at eleven dollars and fifty cents per ounce. There were no brick vaults for the storage of gold at that time. There were several private manufacturers of gold coin in San Francisco prior to the establishment of a branch of the United States Mint in that city in 1854. Some of these coinmakers had the sanction of the Government and some not. The Bank of California has quite a collection of these early gold coins, of the denominations of five, ten, twenty, and

fifty dollars. The last named are both in the octagon and round form. One of the oldest coins in this collection is a five-dollar piece, bearing the date of 1849, and represented to be pure gold and full weight. Others were only 880 fine. The present magnificent mint at San Francisco, the largest and best equipped in the world, was the outcome of the private assay office of Curtis, Perry & Ward, successors to Moffatt & Co., who had been making gold coins under Government contract. The mint was opened on April 1, 1854, and up to the present has coined $843,628,907 in gold and $131,328,553 in silver, or a grand total of $974,957,460.

There has never been a lack of good solid money in California. It is made right at our doors and in abundance. There is more gold and silver coin now in California, including that held by the sub-treasurer and mint superintendent, than is to be found in any other State, with possibly the exceptions of New York, Philadelphia, and Washington. It was less than a year ago that we sent $20,000,000 of our gold coin across the country by a special train under an armed guard of picked men.

California went along from 1855 to 1875 without any serious bank troubles. There was an occasional failure here and there from local causes, but the affair was soon forgotten. At high noon in August, 1875, the community was startled by the suspension of the Bank of California. That was indeed a serious failure, wiping out as it did the whole capital of $5,000,000. A few weeks later the old bank was reopened amid the booming of cannon and general rejoicing. When the former president left the bank on the day of its calamity, he said the bank would never reopen. A little man inside, who had a big interest in the bank, and who had heard the remark, replied, in language more emphatic than polite, "It will reopen." He and a few other determined stockholders soon had matters in shape, and the Bank of California has ever since been all the stronger because of the trial through which it passed in 1875. Other banks felt the shock, and two or three of them

never recovered, though they chose their own time for retirement from business. It was a trying time with all the banks for at least three years afterward. This was not so much the result of shattered confidence in banking business as from the general dullness incident to the collapse of the most gigantic and prolonged speculation in mining stocks ever known in this country. The movement had a better foundation than any previous or subsequent one, but it was carried altogether beyond the bounds of reason, and the results were disastrous to many. Four large city savings banks failed in the latter part of 1878. This was the direct fruit of the inauguration of examinations by the newly created bank commissioners. There were, perhaps, a dozen failures or voluntary liquidations among the banks in the State from August, 1875, to August, 1879. Since then these troubles have been rare.

The progress of banking in California and the present resources of the banks are quite satisfactory. We have some venerable institutions, being nearly as old as the State. The Tallant Banking Company had its origin way back in 1850. The Sather Banking Company is nearly equally as old. The Donohoe-Kelly Banking Company grew out of a private bank established in 1853. The Bank of California was started in July, 1864, but its chief promoter had been in the banking business in the city for several years. The Savings and Loan Society began business in San Francisco in July, 1857, and is the oldest savings bank in the State. The pioneer of the nationals in California is the First National of San Francisco, established in 1870. The largest capital ever put into banking was that contributed by four gentlemen in the establishment of the Nevada Bank in 1875, the capital of which at one time was $10,000,000. This bank was reorganized by I. W. Hellman and others, a few years ago, with a capital of $3,000,000, and has since been conservatively conducted.

At the beginning of the current calendar year there were two hundred and seventy-eight banks in active operation

in California. This number includes one hundred and sixty-eight State commercial banks, seventeen private banks, fifty-seven savings banks, and thirty-six national banks. The aggregate resources of these banks as thus classified on January 1, 1893, were as follows:

Commercial	$132,991,127
Private	3,317,772
Savings	149,825,048
National	32,918,241
Total resources	$319,052,188

The liabilities of the same banks on the same date may be classified as follows:

Capital paid	$ 64,398,261
Reserve and surplus	26,818,198
Due depositors	212,173,639
Due other banks	12,749,521
Other liabilities	2,912,569
Total liabilities	$319,052,188

There has been a large increase in the number of banks in the past five years, growing out of the wants of newly formed communities. There has also been a decided tendency in the same interval to put private banks under corporate powers. It now looks as though a private bank would soon be a curiosity among us. This change is the direct result of giving the bank commissioners supervision of the private banks, which only occurred a few years ago. In proportion to population, California has nothing to complain of in the way of banking facilities. Though there are still some growing towns without banks, there is a pretty general distribution of these helps to business throughout the State. The per capita of deposits in the savings banks is the largest of any State in the Union. National banks are scattered all the way from Sacramento to San Diego, but most of the banks of this character are in the southern counties, where the proportion of recent Eastern immigrants is larger than elsewhere, and hence the growth of national banks in that section.

Many things are constantly being learned in the management of banks. One lesson that is forcing itself more prominently than any other on the attention of the public, if not of the bankers, is, that while it may require the combined wisdom of several men, in close touch with the daily pulse of the bank and of the financial world, to make it a success, it seldom needs more than one man to wreck or cripple a bank. Illustrations of the truth of this statement abound on every hand. One of the most prominent now in mind is where the conduct of a single man caused a loss of over $11,000,000 in a single year. The lesson of the hour along this line is, watch that man. It is fortunate that he does not find his way into all banks. He has been quietly removed from some as soon as found out. It is too much to hope that he has been cleaned out of all the banks. But whenever and wherever found, there is only one thing for the bank management to do in the matter. Vigilance along that line will make the bank's prosperity more certain.

BANKING IN COLORADO.

By J. W. Breutlinger of Denver, Colo.

HIS Excellency D. W. Waite, Governor of Colorado, has appointed me to give the Congress information as to banking in Colorado. There are no laws in Colorado inimical to the interests of capital, either directly or indirectly, and although bills have been introduced at each succeeding session of the Legislature which were intended to benefit the debtor class, they were not permitted to become laws. Special efforts to this end were made at the last session of the Legislature by members elected through Populist votes, but enough of the conservative element remained in both branches of the Legislature to defeat these attempts, and to further add to the security of capital invested in railways by abolishing previous regulative laws concerning them.

The attachment laws, and the universal practice of demanding deeds of trust to secure loans on realty, render investments in Colorado very desirable; because the vexatious delays involved in the collection of debts in other States does not obtain here, the laws giving the creditor the right to attach all the property of the debtor not exempt from execution, to the exclusion of the claims of others, without reference to the amount or character of the indebtedness, and without any delay. With regard to trust deeds, suit may be commenced without notice, and there is no equity of redemption to interfere with the immediate disposal of the property.

Taking it altogether, there is no better State for profitable financial operations than Colorado, and although the Eastern effort to place the currency upon a gold basis has to

a large extent interfered with mine loans — an extremely profitable source of income to our banks — yet if our special session of Congress will repeal the Sherman law without substituting free coinage, I have no doubt that when business is again adjusted to the new order the bankers will be enabled to recoup themselves for any local losses incidental to the change.

In common with the great body of financiers, our bankers do not favor bimetallism at the present ratio; but in view of the overwhelming sentiment in favor of the restoration of silver in our Western States, they are not taking an active part in the discussion, but are quietly doing what they can through the newspapers which they control to reconcile the public to the change that is hoped will be made in our national financial system. Quite a number of the smaller banking firms have "gone under" during this crisis, with more to follow; but as this event has been anticipated by the solid institutions in touch with the East, the situation has only been simplified by the "survival of the fittest."

BANKING IN THE DISTRICT OF COLUMBIA.

By C. H. Bell of Washington, D. C.

I HAVE been appointed by the Commissioners of the District of Columbia as a delegate to represent the banking institutions of the district, and to prepare a paper giving their early history and growth. To do this it is necessary to give a brief sketch of the origin of the District of Columbia. The Constitution of the United States gave Congress power to select a tract of land, and, in the language of the Act, "to exercise exclusive legislation (in all cases whatever) over such district, not exceeding ten miles square, as may by cession of particular States become the seat of government of the United States." In pursuance of this provision, Congress passed an act in July, 1790, authorizing George Washington, President of the United States, to appoint three commissioners to survey a site for the seat of government, between the mouths of the eastern branch and the Comocheague on the Potomac River. It was supposed that this tract included Alexandria, but a partial survey proved this to be incorrect, and in March, 1791, an act was passed changing the boundaries so as to include Alexandria and lands below the eastern branch. These acts provided that the seat of government should remain at Philadelphia until 1800, when Washington should become the permanent seat of government.

In 1788–89 Maryland ceded to the Government sixty-four square miles east of the Potomac, and Virginia thirty-six square miles west of the Potomac; thus the district was originally ten miles square. In 1846 the portion west of the Potomac was retroceded to Virginia. When the district was formed there were two banks within its territory, the

Bank of Alexandria, incorporated by act of Virginia in 1792, with a capital of $150,000, subsequently increased to $500,000, and the Bank of Columbia in Georgetown, incorporated in 1793, by the State of Maryland, with a capital of $500,000.

It was at that time generally believed that Congress, by its charter to the Bank of the United States, had divested itself of the power to grant charters, even to private banks. To escape this dilemma, associations were formed in the district with power to issue notes and to do a general banking business. Many of these were formed between the years 1800 and 1820. The first of this class was the Bank of the Potomac, in Alexandria, organized in 1804, with a capital of $500,000. In 1809 the Bank of Washington, in the city of Washington, and the Union Bank of Georgetown, were formed in a similar way.

The Bank of the United States, which had been chartered in 1791 for a term of twenty years, with its principal office in Philadelphia, opened in 1806 a branch in Washington, with thirteen directors chosen from the district. On the expiration of its charter, 1811, Congress refused to renew it on the ground that it was a Federal institution controlled by a board of directors who were mostly Federalists. The closing of this branch was a serious blow to the business interest of the district.

The fiscal service of the Government, which prior to 1811 had been performed by the Bank of the United States, was now intrusted to the district and State banks, and in the District of Columbia was a prominent feature in the business of the banks. In 1811 public meetings were held for organizing additional banks, to supply the banking capital withdrawn by the winding up of the Bank of the United States; but it was not until 1814 that several new private banking associations were formed. The Bank of the Metropolis (now the National Metropolitan Bank), the Farmers' & Mechanics' Bank of Georgetown, still in existence.

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In 1813 the banks of the district were authorized to loan the Government $7,500,000, or any part thereof, and in the next year the amount they could so loan was increased to $25,000,000. The same year the following private banking associations were incorporated: The Central Bank of Georgetown, Franklin Bank of Georgetown, and the Union Bank of Alexandria, their charters to continue to January 1, 1822. In 1815 measures were taken to again establish a national bank, which was bitterly opposed by the Federalists. Their opposition to the war with Great Britain was so great that they would not favor the organization of any institution which might be of assistance in sustaining our armies. In 1816 a charter for twenty years was granted to the Second Bank of the United States with a capital of $35,000,000, of which the people of the district took one million and a quarter, the United States one-fifth, or seven millions. After the country had partially recovered from the effects of the war it did a prosperous business, giving a good and stable currency, the best the country ever had, until the present national banking system was established in 1863. In 1821 the charters of the banks were extended to March 3, 1836, and from 1820 to 1830 the business of the district was fairly prosperous. The population had increased from fourteen thousand in 1800 to thirty-nine thousand in 1830. In 1834 the business of Georgetown was largely inflated in the belief that the Chesapeake & Ohio Canal would soon be completed and would largely increase the commerce and business of the district. During this year, when many of the State banks suspended specie payment, only three of the banks in the district suspended. Their directors, following the example of Romulus Riggs, in 1813 pledged their individual property as security for the debts of their respective banks.

In 1834, as the charters of all the banks, which furnished two-thirds of the circulating medium of the district, would soon expire, petitions were presented to Congress for the renewal of their charters, which were strenuously opposed

and charges made against the managers of most of the banks. A committee of Congress was appointed with full powers to investigate their condition. The banks urged their petitions on patriotic grounds, reminding Congress that when during the war of 1812 to 1815 "the national credit was stricken beyond measure, the means and resources of these institutions were tendered and accepted by our Government; that hundreds of thousands of dollars were advanced from time to time, and by these funds the southwestern army, which won such laurels at New Orleans, was largely sustained." This committee, after a thorough investigation, reported that all the district banks were in a solvent condition, and in June, 1836, the charters were extended for two years.

In 1832 the Bank of the United States applied to Congress for a renewal of its charter, which was made a political question, advocated by the Whigs under Mr. Clay. General Jackson, then President of the United States, was its strongest opponent, and it was his will-power which ultimately defeated it. The bill for its renewal passed Congress, but was vetoed by the President. This question of renewal of the bank's charter was one of the main elements in the election of 1832.

In 1833 General Jackson notified the country that on the first day of October he should remove the deposits from the Bank of the United States and deposit them in the State and district banks. Then came the period of inflation. New banks were started all over the country, many for the purpose only of receiving deposits from the Government. In 1836 a surplus of $28,000,000 in the Treasury of the United States was deposited among the States in proportion to their population. This also tended to inflation, which is shown by the following comparison for the years 1834 and 1836:

	Banking Capital.	Circulation.	Discount.
1834	$200,000,000	$ 95,000,000	$324,000,000
1836	251,000,000	144,000,000	457,000,000
	$51,000,000	$45,000,000	$133,000,000

The universal ruin and hopeless depression of the next five years followed. The district banks, however, were saved by the great losses sustained in the other parts of this country.

Congress would not sanction the creation of any new banks in the district, and adopted the policy of only renewing their charters for two years at a time, and providing that they could not discount paper to an amount more than double their capital. Under this provision there could be no great inflation, and the banks were compelled to be conservative in their business and to cut down their outstanding circulation. When the banks of New York, Philadelphia, and Baltimore suspended specie payment in 1836, the Bank of the Metropolis and the Bank of Washington in the district continued to redeem their notes, and did not cease to do so until 1837, a long time after the others had suspended. In 1838 Congress, in extending the charters of the district banks, prohibited the issuing of paper currency by those banks of less denomination than five dollars, and requiring them to redeem their old notes and resume specie payment in the following January, or sooner if any of the principal banks in Baltimore or Richmond should resume. This caused a heavy reduction of discounts and the withdrawal of the bank circulation. The law was respected until October 1, 1839, when all but the Patriotic Bank, the circulation of which was very limited, suspended specie payments.

Mr. Dawson of Georgia made an able speech in opposition to the attempt to use the district banks as an experiment in bringing about specie payments. He said: "I am against destroying the relation of debtor and creditor. I will not vote to depreciate the value of property to raise the value of money and thereby to empower the creditor to bring all the property of the debtor under the hammer. All of you, by voting for this bill, appreciate money one hundred per cent and depreciate property fifty per cent. At one blow you cut off the heads of these district banks, all for the sake of a political experiment to bring a hard money currency

into this devoted district." Congress adjourned on July 21st, having failed to renew the charters, and after July 4th bank privileges were suspended in the district. The result was a positive cessation of business; bank notes of any kind could not be found in sufficient quantity to carry on the daily business of the community. Certificates of deposits issued for small amounts were used, and furnished a basis of circulation; they passed current with notes of the banks of Virginia and Maryland, and those of the Baltimore & Ohio Railroad. This state of affairs lasted until 1884, for Congress refused to re-grant any charters in the district as a punishment to its people for being so intensely Whig in their political preferences. The following from the *Ohio Statesman* of March 7, 1843, shows the feeling of the opposition party to the banks. It says: "There was one bright and glorious spot in the close of this Congress, besides its eternal dissolution, namely, the district banks failed to get a re-charter. The rotten things are now defunct, and their putrid carcasses are left to dry up in the summer sun."

In 1884 Congress passed a bill not extending bank charters, but merely providing that any of the district banks might be a party to suits brought for debts due to or by them. This was the last piece of legislation passed affecting the district banks until the general banking law of 1863. They continued to do business, but were not recognized legally. In the almanac of 1848 the following note appears at the foot of the tabular statement of banks, "There are six in the District of Columbia, but they are not recognized as legal institutions."

In 1837 Mr. W. W. Corcoran, a merchant in Washington, opened a banking office, and in 1845 took into partnership Mr. George W. Riggs, under the firm name of Corcoran & Riggs, and which is now the well-known banking-house of Riggs & Co. In 1845 they purchased the property and remaining assets of the Washington branch of the United States Bank, and acted as agents of the Government in placing the Government loans. In 1865 the Freedman's

Saving & Trust Co. was incorporated by act of Congress, for the purpose of receiving deposits from persons previously held in bondage, and their descendants. Soon after its organization its principal office, which was in New York, was moved to Washington. It did a safe and profitable business as long as it was conducted on the lines laid down by its founders, but in 1870 Congress passed an act authorizing it to enlarge the scope of its investments, which resulted in its failure soon after.

In 1863 the firm of Jay Cooke & Co. opened a branch in Washington, and was the financial agent of the Government in placing the war loans. The First National Bank was organized the same year, with a capital of $500,000, but neither institution survived the panic of 1873. At the close of the war there were in addition to the private banks and banking associations six national banks, with a combined capital of $1,500,000 and deposits of $1,483,000. The next five years shows little change in the growth of the banking business, though the population of the district had increased from 87,000 in 1860 to 131,700 in 1870, an increase of seventy-five per cent.

In 1870 a movement was made by the people of the district for a change in the form of local government, which resulted in the passage of an act in February, 1871, authorizing a territorial form of government. During its short existence, for the act was repealed in 1874, the first real start was made toward laying the foundation for the future growth of the city. While it is true that money was lavishly expended, the result was to awaken Congress and the people of the district to the needs of the city. The history of the panic of 1873 is similar for the District of Columbia as for the rest of the country. The weaker institutions went to the wall, while the survivors were forced, for many years, to pursue more conservative methods.

It was not until about ten years ago that the district took a new business life and new blood was infused into our banking institutions. The population of the district and

its wealth had been steadily increasing from year to year, the fear of the capital ever being removed was eliminated, and outside capital began to seek investment there. The people of the district were awakened to the fact that Washington was not only the seat of government, but was fast becoming a center of wealth, and that the general prosperity of the country carried with it the prosperity of the district. An examination of the appropriation bills shows how true this is, and how the Government expenditures in the district were increasing year by year. In 1880 they reached the sum of $18,000,000, while the present year they exceed $33,000,000. These large and increasing disbursements made yearly to carry on the work of government of our country is an important factor in adding to the wealth and growth of the district, for no matter whether crops are ruined or manufactories crippled, regularly as clock-work does this vast sum, drawn from all over the United States, circulate among our people, and at some period find its way into our banks. Necessarily the increase of population and wealth of the community brought about increased activities in every line of business. Railroads were projected to open up the neglected portions of the district, for prices of real estate advanced so rapidly that it became necessary to bring into the market the property lying adjacent to the city proper. New manufacturing industries were established, and while it is probably true that the district will never become a manufacturing center, a comparison of the census returns shows a remarkable increase in the past ten years. In 1880 there was the sum of $5,527,000 invested in manufactures, while in 1890 it had grown to nearly $29,000,000, with a value of products amounting to $39,000,000. To keep pace with this rapid growth, the establishment of additional financial instrumentalities, both public and private, were necessary, and between 1885 and 1890 seven new national banks were organized. Notwithstanding this large increase in banking capital, a comparison of the comptroller's returns shows that while the capital was

doubled the deposits increased five-fold. In 1880, capital, $1,377,000; deposits, $2,154,994; in 1890, capital, $2,627,000; deposits, $10,626,000. In 1890 Congress, recognizing the fact that the continued prosperity of the district necessitated a still further addition to its financial institutions, passed an act authorizing the establishment of trust companies, and throwing around them the same safeguards to the public as are around the national banks, at the same time allowing them to occupy a field not touched by the national banks. Under this act three companies were organized, with a combined capital of $3,250,000, and in the brief period of three years they have accumulated deposits of nearly $5,000,000, while the national banks have continued as prosperous as before. According to the clearing-house report of last March, the present banking capital of the district is $6,077,000, with deposits of $16,770,503, which with that of the private banks added makes a grand total of over $23,000,000.

As to the future of the district, who can predict? Everything points to its continued growth and prosperity. To doubt its future is to doubt the future of the United States, for it is so closely connected with the prosperity of the country at large that nothing but a national calamity can prevent its rapid and solid growth. The time is rapidly approaching when Washington will be the financial center for that vast territory to our south and southwest, and much of the business which now passes to the north will concentrate there, and be handled by our financial institutions.

BANKING IN GEORGIA.

By George R. De Jaussure of Atlanta, Ga.

To convey a clear idea of the progress made in the business of banking in Georgia I will give, as briefly as possible, an outline of the present laws of the State under which it is conducted.

1. *Incorporation and Organization of Banks.*—It is only necessary in the act of incorporation to state the names of the incorporators, the name of the company, the place where said company proposes to do business, and the amount of the capital stock.

2. *Application for Charter.*—Applications for charters must be made to the Secretary of State and be accompanied by a fee of fifty dollars, which shall be paid on the filing of the application, to the Treasury, and the Secretary of State shall not issue any license or charter before the payment of said fee.

3. *Capital Stock and How Divided.*—The capital stock shall be divided into shares of one hundred dollars each.

4. *Meeting for Organization.*—When the minimum amount of capital stock (fixed by the act of incorporation) has been subscribed, the majority of the persons named in the act of incorporation are authorized to call a meeting for the purposes of organization, of which every subscribing stockholder shall have ten days' notice.

5. *First Board of Directors.*—At said meeting the said stockholders shall elect a board of directors, consisting of not less than five, and as many more as said meeting may determine.

6. *First Officers.*—The said directors shall elect from their number a president (also a vice-president if they deem

necessary) and a cashier and other necessary officers or agents.

7. *Term of Office and Powers of First Board of Directors.*—The said board thus elected shall hold their offices for a term to be fixed by the meeting, or until their successors are elected, and said first board shall have and exercise all the powers hereinafter given to the regular board of directors.

8. *Commencement of Business.*—When ten per cent of its capital stock has been actually paid in, and not before, the company shall be authorized to commence business.

9. *General Powers.*—Shall have and exercise the following powers and privileges: To sue and be sued; have and use a common seal; to make by-laws for the proper conduct of its business not inconsistent with the laws of this State or the United States, and generally to do all acts necessary for the execution of the powers herein granted to do a general banking business.

10. *Lending or Borrowing Money.*—To receive money on deposit on any terms agreed upon; to lend and borrow money and take and give therefor such security, real or personal, or mixed, as may be considered best.

11. *Deposits.*—To receive on deposit for safe-keeping valuables or other articles of personal property from any person or persons, executors, guardians, receivers, trustees, corporations, public or private officers, and all other fiduciaries, charging therefor such sums of money as may be agreed upon.

12. *Dealings in Exchange, etc.*—To buy, sell, and deal in foreign and domestic exchange, bills of lading, choses in action of any kind, coin and bullion, mortgages, bonds, stocks, securities, and evidences of debt generally; to lend money on the same and to negotiate the same for others; to buy or accept real estate in payment of debts in this or any other State or Territory of the United States, and when so acquired, to manage, improve, rent, or lease the same.

13. *May Act as Fiscal Agent, Trustee, Executor, or Guardian.*—To act as the fiscal agent of any municipality, county,

State, or the Federal Government; to act as executor, trustee, or guardian when selected by any person for that purpose; *provided*, that its capital stock shall amount to the sum of fifty thousand dollars before exercising this power; *and provided further*, that in such cases its president, cashier, and all its directors shall be liable as individuals to all the penalties to which individuals exercising said trusts are liable under the general laws of the State.

14. Real Estate. – To purchase and own such real estate as may be necessary for the purposes of successfully conducting the business of banking.

15. Transfers of Property, etc. – To transfer its property at pleasure; to accept the office of assignee or receiver when appointed by the court or selected by any person, natural or artificial.

16. Savings Business. – To do, in addition to their general banking business, a savings bank business, and to this end the directors are authorized to make such by-laws for the proper conduct of this branch of their business peculiar to such institutions, and which shall be adopted by the stockholders before they exercise this power in their charter, and in the event any company shall undertake to exercise the power, and does so, any minor who may deposit his earnings or money therein shall be authorized to withdraw the same without consent of his parent or guardian.

17. Board of Directors.—That the corporate powers of said companies shall be vested in a board of directors consisting of not less than five, but which, by a vote of a majority of the stockholders, may be increased to any number not exceeding twelve.

18. Residence of Directors.—A majority of which board shall reside in the place or county where the principal office is located.

19. Votes by Stockholders and Proxies.—Every share shall be entitled to one vote in any meeting of the stockholders, but said vote may be cast by proxy, which shall be in writing and only given to a stockholder.

20. *Officers, Duties, Salaries.*—The board of directors shall elect from their number a president, a vice-president (if the stockholders should at any time deem the same necessary), and a cashier; shall have the power to appoint all officers or agents necessary to carry on the business; to prescribe their powers and duties; to discharge them when thought proper and necessary; to fix their salaries and compensation, and require such bonds of said officers and agents, including cashier, as they deem necessary.

21. *Certificates of Stock, By-Laws, Dividends, Surplus.*—Said board shall also have power to make by-laws for the management of the business; to declare dividends out of the net earnings; to provide for the collation of a surplus fund; to provide how and in what manner certificates of stock shall be issued, and how the same shall be transferred, and shall do all things for promotion of the business of the company not inconsistent with the laws of the State or the United States.

22. *Election of Directors.*—Said board of directors shall be elected at the annual meeting of the stockholders, and shall hold their office for one year, or until their successors are elected.

23. *Regular Annual Meetings of Stockholders.*—The stockholders shall, at their first meeting for organization, fix the time for the regular annual meetings, but the same may be changed at any subsequent meeting of the stockholders.

24. *Payments of Capital Stock.*—The board of directors shall have power to prescribe how and in what sums, and at what times and places, any unpaid part of the capital stock shall be paid in; and in the event any stockholder shall fail or make default for sixty days to pay any call regularly made in his subscription to stock, the directors may direct suit to be brought against him forthwith for the amount of such call, or may, in their discretion, after thirty days' notice to such stockholder, cause his stock, after proper advertisement, to be put up and sold at auction to the highest bidder; and any deficiency in this sum thus received

necessary to make the amount of the call shall be made good by the delinquent. Any surplus over the amount of the call and the expenses of the sale shall be paid to him. A new certificate of stock shall be issued to the purchaser, and he shall stand in the same relation to the company as the delinquent would have done had he not so made default. The sale shall be at the court house door in the county where said company is located.

25. *Liability of Corporation. Liability of Stockholders.*— That said corporation shall be responsible to its creditors to the extent of its capital and its assets, and each stockholder shall be individually liable for all the debts of said corporation, to the extent of his or her unpaid shares of stock; and said stockholders shall be further and additionally individually liable, equally and ratably, and not one for another, as sureties, to depositors of said corporation for all moneys deposited therein, in an amount equal to the face value of their respective shares of stock, it being the true intent and purpose of this act that, as to depositors, for all moneys deposited with said corporation, there shall be an individual liability upon such stockholders in such corporation over and beyond the par value of his or her original shares of stock, equal in amount to the face value of his or her original shares of stock; *provided*, that said liability of the stockholders shall not prevent depositors from having equal rank with all other creditors upon the capital, property, and assets of said bank.

The above act is given in full, as it is the most recent, having been approved October 21, 1891. I wish, also, before going further into the discussion of the banking system of the State, to call attention to the chief points in the acts approved October 10, 1891, and September 19, 1891. Act approved October 10, 1891, provides that all banks and corporations doing a banking business authorized under the laws of Georgia to do a banking business in this State—

1. Must make quarterly statements under oath to the State bank examiner and publish the same in local papers, at the expense of the bank or corporation.

2. That no loans be made to any officer without good collateral.

3. Must not reduce cash in hand, including amount due by banks and bankers, and the market value of all stocks and bonds actually owned and held by the bank or corporation, below twenty-five per cent of the demand deposits.

4. Must not lend to any one person more than ten per cent of its capital stock and surplus, unless such loan is amply secured by good collateral security.

5. That whenever, by reason of losses, a bank's capital stock is impaired, the shrinkage in said capital stock, which is represented by said losses, shall be charged on the books of said bank to the account of profit and loss, so that the notes and bills discounted, shown as debts due the bank, shall be the live and collectible assets of said bank.

6. That each bank shall be examined at least once a year.

7. That quarterly statements shall be subscribed to by the cashier in the following form:

"Before me came ——— cashier of ——— bank, who, being duly sworn, says the above statement is a true statement of the condition of said bank as shown by the books on file in said bank, and he further swears that since last return made to State bank examiner of the condition of said bank, to the best of affiant's knowledge and belief, that the said bank, through its officers, has not violated or evaded any obligation imposed by law."

Act approved September 19, 1891, "Amendment to Constitution," provides that all corporate powers and privileges to banking companies shall be issued and granted by the Secretary of State in such manner as shall be prescribed by law. The wise provisions of these three acts show that the bank legislation has been conservative and progressive, and that should the occasion arise the legislature can be relied upon to protect the interests of depositors by even more stringent regulation of the banks.

Having thus outlined the most important laws now in force governing the business of banking in this State, it

may be of interest to many to know something of the laws governing the ordinary transactions of the banks. The examinations of the banks are made by the treasurer of the State, who is *ex officio* State bank examiner, or by his assistant, and are very thorough. All cash is counted and balances verified, the notes and bills discounted are examined, listed, and made to agree with the record of same kept by the bank. If the examiner finds that the bank has evaded or violated the law, he reports the facts to the governor of the State, who, if he finds it necessary, shall cause the attorney-general of the State to institute such proceedings against the bank as the nature of the violation or evasion demands. This is one weak point in the banking laws of the State, and will probably be corrected by the proper legislation, as recent failures have shown that if a bank is in trouble and liable to fail the governor should have the power to put its affairs into the hands of a receiver as soon as the examiner reports that its condition is not sound. Under the present law the governor must proceed through the regular channel and through the courts, either have a receiver appointed or the bank forfeit its charter. This is dangerous on account of the delay, as in such cases prompt action would seem imperative. There is no special penalty fixed by law to be imposed upon banks which fail to make the quarterly statements to the State treasurer.

The legal rate of interest is seven per cent per annum where the rate per cent is not named in the contract, and any higher rate must be specified in writing, but in no event to exceed eight per cent per annum. Usury is the reserving and taking, or contracting to reserve and take, either directly or by indirection, a greater sum for the use of money than the lawful interest. Every contract bears interest according to the law of the place of the contract at the time of the contract, unless upon its face it is apparent that the intention of the parties referred the execution of the contract to another forum; in this case the law of the forum shall govern. All judgments in this State bear law-

ful interest upon the principal amount recovered. When a payment is made upon any debt it shall be applied first to the discharge of any interest due at the time, and the balance, if any, to the reduction of the principal. If the payment does not extinguish the interest then due, no interest shall be calculated on such balance of interest, but only on the principal amount up to the time of the next payment.

It is unlawful for any person, company, or corporation to reserve, charge, or take for any loan or advance of money, or forbearance to enforce the collection of any sum of money, any rate of interest greater than eight per cent per annum, either directly or indirectly, by way of commission for advances, discount, exchange, or by any contract or con trivance or device whatever. Any violation of the usury law forfeits the excess of interest charged or taken, or contracted to be reserved, charged, or taken. The amount of the forfeit may be plead as a set-off in any action for recovery of principal sum loaned or advanced by the defendant in said action. Any plea or suit for the recovery of such forfeiture shall not be barred by lapse of time shorter than one year. All titles to property made as part of an usurious contract, or to evade the laws against usury, are void.

DEPOSITS.

The law of the State defines deposits as follows: When chattels are delivered by one person to another to keep for the use of the bailor, it is called a deposit; the depository may undertake to keep it without reward, or gratuitiously; it is then a naked deposit. If he receives or expects a reward or hire, he is then a depository for hire. Very variant consequences follow the difference in the contract. If a person voluntarily receives a deposit, or should he receive it involuntarily, as by finding, if a naked depository, he is responsible only for gross negligence. Deposits of money in a bank do not constitute a case of naked deposit, the use

of the money being a valuable consideration. A special deposit of a sealed package of money would be a naked deposit. A warehouseman is a depository for hire, and is bound only for ordinary diligence; a failure to deliver the goods on demand makes it incumbent on him to show the exercise of ordinary diligence. A wharfinger is also a depository for hire, and liable upon the same principles.

INDORSERS, NOTICE, AND PROTEST.

In ordinary indorsements the contract of the indorser is to pay the money, if the parties to the instrument primarily liable thereon fail to pay according to the terms thereof; hence, if there are several indorsers, each is liable to subsequent ones in the order of their indorsements. When bills of exchange and promissory notes are made for the purpose of negotiation, or intended to be negotiated at any chartered bank, and the same are not paid at maturity, notice of the non-payment thereof, and of the protest of the same for non-payment or non-acceptance, must be given to the indorsers thereon within a reasonable time, either personally or by post (if the residence of the indorser be known), or the indorser will not be held liable; but it shall not be necessary to protest in order to bind indorsers, except in the following cases, to wit: When a paper is made payable on its face at a bank or banker's office; when it is discounted at a bank or banker's office; when it is left at a bank or banker's office for collection; and in all such cases days of grace shall be allowed. In all cases the indorser may be sued in the same action, and in the same county, with the maker, or drawer or acceptor.

January 1st, February 22d, April 26th, July 4th, December 25th, and any day appointed or recommended by the Governor of the State, the President of the United States, or any municipal authority as a day of thanksgiving, or fasting or prayer, or other religious observances, shall for all purpose whatsover, as regards the presenting for payment

or acceptance, and of protesting and giving notice of the dishonor of bills of exchange, bank checks, and promissory notes, made after February 23, 1875, be treated and considered as the first day of the week, commonly called Sunday, and as public holidays; and all such bills, checks, and notes, otherwise presentable for acceptance or payment on said days, shall be deemed to be presentable for acceptance or payment on the secular or business day next preceding such holidays.

When two legal holidays fall together, papers maturing on the first are due and payable on the day preceding, and papers maturing on the second are due and payable on the day after said holiday. The last day of grace shall be deemed the date of maturity of any bill of exchange, check, or promissory note entitled to the three days known as days of grace, for all the purposes of this act.

The *bona-fide* holder for value of a bill, draft, or promissory note, or other negotiable instrument, who receives the same before it is due, and without notice of any defect or defense, shall be protected from any defenses set up by the maker, acceptor, or indorser, except the following: *Non est factum;* gambling or immoral and illegal consideration; fraud in its procurement. Any paper bought after maturity is taken subject to all the equities existing between the original parties thereto; and if there be several notes constituting one transaction, but due at different times, the fact that one is overdue and unpaid shall be notice to the purchaser of all, to put him on his guard as to each. The holder of a note is presumed to be such *bona fide*, and for value; if either fact is negatived by proof, the defendants are let into all their defenses; such presumption is negatived by proof of any fraud in the procurement of the note. The holder of a note as collateral security for a debt stands upon the same footing as the purchaser. The title of the holder of a note can not be inquired into unless it is necessary for the protection of the defendant, or to let in the defense which he seeks to make.

Any circumstances which would place a prudent man upon his guard in purchasing negotiable paper shall be sufficient to constitute notice to a purchaser of such paper before it is due. Bills, notes, or other paper payable on demand are due immediately. When no time is specified for the payment of a bill or order, it is due as soon as presented and accepted. Collateral securities in the hands of a creditor shall not be the subject of garnishment at the instance of other creditors. A surety who has paid the debt of his principal is subrogated, both at law and in equity, to all the rights of the creditor, and in a controversy with other creditors ranks in dignity the same as the creditor whose claim he paid; he is entitled also to be substituted in place of the creditor as to all securities held by him for the payment of the debt.

Every corporation is dissolved by expiration of its charter, by forfeiture of its charter, by a surrender of its franchises, by the death of all its members without provision for a succession, and by non-payment of taxes.

The governor of the State of Georgia shall name and appoint a solvent chartered bank, of good standing and credit, in certain cities, named in act, which shall be known and designated as State depositories; they shall be appointed for four years from date of their appointment, and shall be liable to removal by governor. Governor shall make best terms he can with the depositories for interest to be paid by them on balances, provided that no officer of the State shall receive any commission, interest, or reward to himself from any source for the depositing of such money in such depositories. Penalty not less than seven nor longer than twenty years' imprisonment in the penitentiary. State depositories must give bond in the sum of fifty thousand dollars, to be approved by the governor. The State has a first lien on all the assets of the bank acting as State depository. The fiscal agent of the State in New York City is selected by the treasurer with the consent of the governor.

A review of the present laws of Georgia pertaining to the

regulation of the banks and other corporations will show, to the unprejudiced mind, that with the advance of intelligence and commerce the character of legislation is improving. Before going further into the present system, I wish to point out a defect in the laws of the State providing for the incorporation and organization of banks and other corporations. As the law stands now the organization can be perfected and the company commence business before any capital is paid in, if the stockholders are dishonest and choose to evade the provisions of the charter. To parties trading or dealing with a corporation dishonestly organized, the only recourse given by law is suit against individual stockholders, and this in most cases amounts to nothing. This danger should be prevented by the adoption of a law to require, under adequate penalties, all corporations, and especially banking corporations, to deposit with proper State officer the minimum capital required by their charters before organization, and that when their organization is perfected, the said State officer shall issue his certificate stating that the organization is perfected, and put them in possession of their capital. Under such a law the officers of the corporation having received the capital stock must account for it. In advertising, all corporations should be compelled by law to state whether capital is cash paid in or only subscribed.

Up to the time when the Federal Government imposed a ten per cent tax on State bank issues, the history of banking in Georgia was inseparably connected with the "currency question," and the powers exercised by the banks in issuing their paper promises to pay against a supposed deposit of specie in the proportion of three to one was a continual menace to the welfare of the State and the integrity of her legislation. The laws of the State required that a bank chartered by the State should make returns to the governor of the State, and that these returns or statements be published, but I fail to find where there was provided any plan for systematic examinations to test the correct-

ness of these statements. Under law a bank was required to always keep on hand in specie, United States currency, or State bonds an amount as reserve equal to one-third of their note issue. The note issue was limited by the cash capital of the bank. Any bank having its capital paid up in specie could issue its notes to three times the amount of the same. Under this system there were periods of prosperity and periods of depression, varying in intensity as the privilege granted the banks was conservatively used or willfully abused. "Privileges are dangerous." This one proved peculiarly so. The legislature passed an act instructing the governor to issue his proclamation on January 1, 1841, requiring that those banks and their branches which had failed to pay specie on their notes resume specie payments at once or forfeit their charters. The law required that a bank pay specie on its notes when demanded, and failure to do so for two months worked a forfeiture of charter. Again, in 1857, when the honored and able ex-United States Senator Joseph E. Brown was governor of the State, this currency or bank question was agitating the public mind. The banks, through their influence, had become a power in the State, and had willfully disregarded the law in regard to specie payments; the governor, though then perhaps young in experience, showed a remarkable strength of purpose in contending with an opposition supported by two-thirds of the legislature and a strong public sentiment. "A bill was introduced (in the legislature), and after infinite and elaborate discussion passed, suspending forfeiture proceedings against the suspended banks for one year." Governor Brown sent in his veto of the bill, and with it a message which marked him before the people as a leader. The message closes with these words: "I feel it to be a duty I owe the people of Georgia to do all in my power to avert the evils which would follow the passage of an act legalizing the suspension of the banks. All solvent banks will doubtless soon resume specie payment. I shall do all which the law makes it my duty to do to have the charters of such

as do not resume forfeited, and their assets placed in the hands of receivers, and converted into money and paid to their creditors as soon as possible. No serious inconvenience will follow, as it is believed most of them are solvent and will resume. Those which are not solvent will be wound up, and the sooner the better for the people."

Col. I. W. Avery, in his History of Georgia, says of Governor Brown's action: "In spite of the colossal moneyed power of the banks, the executive, single-handed, carried popular sentiment overwhelmingly." Governor Brown must have appreciated fully the danger to the country under the system of currency then in existence. In fact, Avery reports him as saying: "The citizen could only loan money, dollar for dollar, at seven per cent. The bank could issue three dollars for one and use all four, realizing from thirty to fifty per cent." And again, the privilege was unreasonable, and he branded banking as a "legalized system of speculation, oppression, and wrong." The same account of the veto goes on to say: "Why did they not resume? Because it was to their interest not to do so. They made money out of the suspension. Warming up, the plain-spoken governor said that the banks that had suspended, and so continued, were guilty of a high commercial, moral, and legal crime, depreciating the value of property, causing pecuniary depression, injuring the public credit, and violating the law of the State. Private citizens had to meet their obligations. Banks should do so. The citizen could not suspend. The banks should not." I give much space to this action on the part of Governor Brown because I believe that his vigorous handling of the question aroused public opinion and forced the banks to observe the laws, and that in doing this he so strengthened the position of the banks that when the war came on they were enabled to materially aid the State.

In discussing the currency a writer in the *Southern Quarterly Review*, published in London, January, 1842, says: "But the great evils of this system are not those which

immediately affect individuals. States and municipal corporations are infected by the dazzling temptations of a redundant currency. Agents delegated by the people are prone to the display of personal liberality at the expense of their constituents. Slight difficulty is found in discovering popular objects for the indulgence of this vicarious generosity whenever an epidemic of speculation rages. Those who expect to reap profits from the gratification of this propensity never fail to encourage the prodigal dissipation of the resources of others by applying to it the engaging title of public spirit. Schemes of internal communication have usually been the favorite pretext for the creation of permanent public debts, in order to hypothecate the whole property of the community to promote or sustain an over-issue of paper currency. Exposed by arbitrary variations in prices, from the general employment of factitious currency, to revulsions against which no sagacity can provide, families raised in the enjoyment of all the indulgences of opulence are at once stripped of the means of even bare subsistence. No foresight or precaution can furnish the slightest security to a merchant engaged in extensive transactions that he will not find himself ruined by the sudden impossibility of complying with engagements entered into with ordinary prudence and the most perfect good faith."

Thomas Jefferson, in a letter to J. W. Eppes, of June 24, 1813, said: "The States should be applied to to transfer the right of issuing circulating paper to Congress exclusively, *in perpetuum* if possible, but during the war at least, with a saving of charter rights. Private fortunes in the present state of our circulation are at the mercy of those self-created money-lenders, and are prostrated by the floods of nominal money with which their avarice deluges us." In speaking of Great Britain, Mr. Jefferson says: "The unlimited emission of bank paper has banished all her specie, and is now, by a depreciation acknowledged by her own statesmen, carrying her rapidly to bankruptcy, as it did France, as it did us, and will do us again, and every coun-

try permitting paper to be circulated other than by public authority, rigorously limited to the just measure for circulation." In a speech delivered February 26, 1816, Mr. John C. Calhoun said: "The right of making money, an attribute of sovereign power, a sacred and important right, was exercised by two hundred and sixty banks, scattered over every part of the United States, not responsible to any power whatever for their issues of paper." The next and great inquiry was, he said, "how this evil was to be remedied." "Restore," said he, "these institutions to their original use; cause them to give up their usurped power; cause them to return to their legitimate office of places of discount and deposit; let them be no longer mere paper machines; restore the state of things which existed anterior to 1813, which was consistent with the just policy and interests of the country; cause them to fulfill their contracts, to respect their broken faith; resolve that everywhere there shall be a uniform value to the national currency. Your constitutional control will then prevail." Again, Mr. Calhoun says in his speech of March 21, 1834: "I concur with him (Webster) in relation to the distress, that it is deep and extensive; that it fell upon us suddenly, and in the midst of prosperity almost unexampled; that it is daily consigning hundreds to poverty and misery; blasting the hopes of the enterprising, taking employment and bread from the laborer, and working a fearful change in the relative condition of the money-dealers on one side and the man of business on the other — raising the former rapidly to the top of the wheel, while it is whirling the latter with equal rapidity to the bottom.

"What I have already stated points out the disease. It consists in a great and growing disproportion between the metallic and paper circulation of the country, effected through the instrumentality of the banks; a disproportion daily and hourly increasing, under the impulse of most powerful causes, which are rapidly accelerating the country to that state of convulsion and revulsion which I have indicated."

I have quoted Governor Brown for the period of 1857, *Southern Quarterly Review* for the period 1842, Thomas Jefferson for the period 1813, John C. Calhoun for the period 1816, and John C. Calhoun for the period 1834, because I believe the evils described so forcibly by each would attach to any true history of the banking system of Georgia during those periods, and because I have been unable, in the short time allowed me to prepare this paper, to examine thoroughly into the records of bank legislation in Georgia prior to 1860. While this system of currency necessarily encouraged speculation and unsound banking methods, it is also equally true that there were, in all these periods, banks in Georgia who, by conservative management, on business principles, always maintained a high standard of credit and whose notes were always good. Notably among these was the Georgia Railroad & Banking Company, located at Augusta, Ga. Its present able cashier, Mr. C. C. Goodrich, in speaking of the part such banks have taken in the preservation of sound principles of banking, said: "Since 1865 the Georgia Railroad & Banking Company has conducted its banking department merely as a bank of deposit and discount. By reason of its good credit the company was able to supply the place of its *ante-bellum* issues by borrowing money in New York in order to relieve in a measure the absence of banking capital in the South. In other words, our notes of issue took the form of a promissory note, with the proceeds of which we gained the elasticity in currency so much needed. Our business has been typical, I believe, of conservative banking in the South; that is, we have prospered. We of this section have less of the purely speculative to contend with than is the case at the North and West. Speculation is the bane of banking. Augusta, in its cotton market, factories, and other allied institutions, has furnished a most fruitful field for legitimate loans. By prudent and liberal accommodations we have built up our deposit account without paying interest on deposits. This, with our present wise banking laws,

assures us a future of success in the business." This statement from Mr. Goodrich gives in a few words a clear picture of banking in Georgia since 1865. The grand development of the material interest of the State has been largely due to the strength and liberality of the banks. Undertaking in 1865 to reconstruct on sound principles the banking system of the States, the banks were faced by bankruptcy and ruin on the one hand and the impossibility of obtaining a circulating medium except from the Federal Government or its creatures the national banks. Notwithstanding these difficulties the banks went to work, and the result has been such as to astonish even the most experienced financiers. To avail themselves of the privileges offered through incorporations as national banks, many of these institutions were early organized, and they soon became, under the wise supervision provided by the Federal Government, the strongest, soundest, and most influential banks in the State.

The cities and towns of Georgia are widely scattered, and the business of banking is governed, as to its character, largely by the class of customers. In the larger cities the banks confine themselves to discounting short-time paper, whereas in the smaller towns, who have to deal with farmers, and merchants who have to supply the farmer, long-time paper is taken. Some of the banks do a profitable and safe business direct with the farmers, and the experience with those I have talked with shows that when this business has been judiciously handled it has done much to relieve farmers from the necessity of taking advances from the merchant, at ruinous prices, payable when the crops are marketed. The banks of Georgia can always find profitable employment for their funds, because cotton, naval stores, lumber, coal, iron, and manufactured goods must continually be moved. The banking capital of the State is rapidly increasing, but this increase has not kept pace with the development of the commerce of the State, and as a result there is now in any of our cities abundant

opportunity for the safe and profitable use of large capitals. There are now in Georgia one hundred and eleven banks chartered by the State, thirty-two national banks, and twenty-six private banks or bankers. The figures below are as nearly correct as I can make them from the statistics obtainable, and are near enough correct to give a good idea of the combined strength of the banks of the State:

	Capital.	Surplus and Undivided Profits.	Deposits.
111 State banks	$ 9,287,241 70	$3,101,406 42	$16,810,257 25
32 National banks	4,541,000 00	2,032,408 50	6,567,214 30
26 Private banks	1,860,000 00	.....*	.....
Totals	$15,688,241 70	$5,133,814 92	$23,377,471 55

I give below condensed statements of the condition of State and national banks, which, taken together, are interesting; also, condensed reports of the banks making statements to the comptroller-general of the State in 1863 and 1864:

STATEMENT OF THE CONDITION OF THE BANKS OF GEORGIA IN 1863 AND 1864, FROM THE REPORTS OF THE COMPTROLLER OF THE STATE.

RESOURCES.	1863.	1864.
Notes discounted	$11,637,540	$ 3,994,467
Bills of exchange "discounted"	1,607,530	466,920
Confederate State bonds	3,528,616	6,207,227
Georgia State bonds	1,359,950	1,287,500
Georgia treasury notes	1,260,747	1,524,042
Confederate treasury notes	21,928,371	7,613,305
Bills of Georgia banks	1,100,068	938,372
Bills of banks of other States	92,750	73,117
Sterling exchange	6,596	12,353
Due from other banks	5,847,363	386,586
Bonds and stocks	8,104,026	7,962,467
Due from Confederate States	447,135	.....
Miscellaneous	11,527,179	12,348,198
Real estate, etc.	764,014	707,778
Specie bona fide the property of banks	1,498,118	1,294,529
Total	$70,710,003	$44,816,861

* State does not require private banks to make returns; therefore it is impossible for me to give their deposits.

LIABILITIES.	1863.	1864.
Capital stock	$17,333,832	$17,131,382
Notes of banks in circulation	15,572,542	15,135,680
Deposits	25,101,848	2,833,928
Due to banks and others	5,276,971	231,430
Dividends unclaimed	977,103	429,379
Reserved fund	5,106,025	6,064,176
Miscellaneous	1,341,682	2,990,886
Total	$70,710,003	$44,816,861

STATEMENT OF THE CONDITION OF THE STATE BANKS OF GEORGIA IN 1892, FROM TREASURER'S REPORT.

RESOURCES.	
Notes and bills discounted	$19,585,279 68
Overdrafts	391,643 69
Bonds, stocks, and other securities	1,356,323 50
Banking houses	427,387 14
Furniture and fixtures	148,610 18
Other real estate	368,809 60
Due from State banks and bankers	872,146 23
Due from banks and bankers not in the State	2,557,899 07
Cash on hand	4,168,163 43
Other cash items	398,888 03
Total	$30,275,150 55

LIABILITIES.	
Capital stock (paid up)	$ 9,287,241 70
Surplus	2,061,344 20
Undivided profits	1,040,062 22
Due banks and bankers in the State	564,044 85
Due banks and bankers not in the State	868,532 69
Due unpaid dividends	218,978 36
Due depositors	15,377,679 71
Notes and bills rediscounted	857,266 82
Total	$30,275,150 55

STATEMENT OF THE CONDITION OF THE NATIONAL BANK OF GEORGIA IN 1892, FROM REPORT OF COMPTROLLER UNITED STATES.

RESOURCES.	
Loans and discounts	$10,584,504 65
Bonds for circulation	1,086,250 00
Bonds for deposits	100,000 00

Other stocks and bonds	$ 375,717 93
Due from reserve agents	599,170 59
Due from national banks	262,435 18
Due from State banks	220,122 73
Banking houses	475,467 60
Real estate	103,708 82
Current expenses	93,690 51
Premiums paid	113,156 61
Cash items	237,994 64
Bills of other banks	158,286 00
Fractional currency	12,374 37
Specie	574,755 87
Legal-tender notes	341,486 00
Five per cent fund with the Treasurer	46,030 66
Due from United States Treasurer	12,254 25
Total	$15,397,406 41

LIABILITIES.

Capital stock	$ 4,541,000 00
Surplus fund	1,241,555 38
Undivided profits	790,853 12
National bank circulation	977,605 00
Dividends unpaid	4,855 50
Individual deposits	5,955,547 17
United States deposits	34,128 76
Deposits United States disbursing officers	54,196 66
Due to national banks	292,613 68
Due to State banks	230,728 03
Notes rediscounted	1,130,823 11
Other liabilities	143,500 00
Total	$15,397,406 41

The business done by the State banks is in all cases a general banking business in a literal sense, as the State does not put upon her banks the restrictions which the Federal Government does upon national banks, and experience has shown that, as long as the banks are not banks of issue, this course is wise, inasmuch as it leaves the banks free to extend accommodations which the national banks can not. Of the one hundred and eleven State banks, twelve are savings banks and six are trust companies. As far as I know there is not in the State a company devoting itself to a purely "trust company" business. As the banks are not

required to file a copy of their charters with the Treasurer and the Treasurer has never been required to ascertain the facts, it is impossible to find out at present how many banks have the double liability of stockholders provided for by their charters.

I have endeavored in this paper to present to any one interested a clear statement of the banking system of the State, but, owing to the fact that the State has never thought it necessary to create an office for the purpose of obtaining and reporting full statistics, my task has been difficult and unsatisfactory. The banks of Georgia are now in better condition than ever before, and if Congress will pass such laws as will provide through the State banks a national currency which will be sound, uniform, and elastic, the future of banking in Georgia will be bright indeed. The Federal Government, in undertaking to furnish money "in response to business requirements," has signally failed, and the result is we now see a contraction of credit which is causing bank and business failures in every State. The business of the State of Georgia has for three years been running on an economical basis. There has been liquidation and conservative operation in every line of business, hence up to this time we have had but few failures. The lack of confidence which is working so much ruin in other States is somewhat offset by the abiding faith of the people and the banks in the unequaled resources of the State and its sound financial condition.

BANKING AND RESOURCES OF IDAHO.

By R. F. Buller of Hailey.

WEST of Montana and Wyoming, north of Utah and Nevada, east of Oregon and Washington, and south of British Columbia lies Idaho, "The Gem of the Mountains," one of the youngest and fairest of the sisterhood of States. Nearly triangular in shape, Idaho is four hundred and ten miles long from north to south, and two hundred and fifty-seven miles wide at the south end and sixty at the north, containing about fifty-five million acres of land, mostly still unsurveyed, and belonging to the Government. It is as large as New York, and several other States; but I will not stop to enumerate.

Lying on the western slope of the main range of the Rockies, the general character of the State is what might be termed mildly mountainous, by which I mean that the mountains are not very rugged nor lofty, few if any of them attaining a greater height than eleven thousand feet, while the lowest point in the State is six hundred feet above the level of the sea at or near Lewiston. The only considerable exception to the mountainous character of the country is the Great Snake River Plain, which is a nearly level sage-brush desert of volcanic origin, about fifty miles wide and two hundred and fifty miles long, stretching nearly the whole width of the State at a short distance from its southern boundary. This desert has a large amount of good land, which, when irrigated, as it one day will be, from the mighty volume of water flowing in the Snake River, will furnish homes for hundreds of thousands of people. The Snake River takes its rise at the Yellowstone Park, close to the source of the Missouri, the Yellowstone,

Columbia, and Colorado rivers. It is really the main fork of the Columbia River, being longer and carrying more water than any of the others; and at the Great Shoshone Falls, in Central Idaho, it furnishes a first-class cataract, considered by many who have seen both to be superior to Niagara in many respects. It is a favorite resort for tourists, and well repays a visit.

Presumably owing to her geographical situation, Idaho gets more snow than Montana or Wyoming, or, in fact, any other mountain State, and the altitude causes much of it to remain until late in the summer season, and in consequence we have probably the best-watered State in the Union so far as streams are concerned, although it hardly ever rains except in the northwestern part. Salmon River, with its tributaries, prevails all over the central part, and is a most magnificent river, carrying a vast volume of water, well stocked with fish, including salt-water salmon. Besides this river there are the Boise, Payette, Clearwater, and numerous others. From the same causes we also have a very fine grazing country, and all kinds of live-stock do remarkably well and become very fat on the native grasses.

There is very little timber in the southern part, but in the central and northern counties timber is abundant, the firs and cedars of the far north especially rivaling those of Washington and Oregon in size. Probably not more than twenty per cent of the entire area of the State will ever be susceptible of cultivation, for the reason that you can not irrigate hills and mountains, but the valleys are very productive, that of the Snake River and some of its tributaries rivaling even California in fruit, such as peaches, pears, prunes, apples, etc., as well as grain, while in the northwest, in what is called the Potlatch country, in the vicinity of Moscow and Lewiston, the most enormous crops of wheat, oats, and other grains, as well as vegetables, are raised without irrigation, sixty bushels of wheat and eighty of oats to the acre being not an unusual yield. As the State is not quite three years old, it can not yet show any very large

cities, but we have some good growing towns which in time will no doubt become the envy of many of their older Eastern and Western sisters. Of these perhaps the largest are Boise, "the beautiful," as her citizens delight to call her; the State capital, Moscow, the site of the flourishing State University; Pocatello in the southeast, Hailey in the center of the State, with others of perhaps equal note. Idaho has an excellent public school system, and having about 3,600,000 acres of school lands, none of which can be sold (under the constitution) for less than ten dollars per acre, it would seem that her youth will never be in much danger of perishing for want of education.

I know it has been disparagingly said, "You can not live on climate." Nevertheless, I can not refrain from expressing the opinion that in point of climate, at least in the summer-time, Idaho just simply beats the world. This was the opinion expressed also by the late Mr. Jay Gould, who showed his faith by his works in that he spent nearly the whole of last summer and the summer before in the beautiful Wood River Valley of Idaho. In addition to its first-class climate the State is dotted over with hot springs, which are supposed to cure, and no doubt will cure, everything. At all events, they seem to be very efficacious for rheumatism.

We have but a very small debt, which is closely limited by the constitution, and the credit of the State stands high, as is shown by the fact that some five per cent twenty-year bonds issued under an act of the last legislature for road-building purposes sold at a premium of eleven per cent. County warrants draw interest at seven per cent per annum, and as the county taxes are promptly paid in money, and not in warrants, as in some States, they are sure to be paid in a reasonable time, and are consequently a very safe investment, and also a very desirable one, more so than county bonds, which are much more apt to be contested, inasmuch as warrants are largely held at home, and consequently have the benefit of local influences in their favor.

Under our laws any taxpayer can appeal from the allowance of any warrant within thirty days, and this makes the courts much more strenuous in upholding them where an appeal has not been taken.

I started to write about the banking laws and regulations of Idaho, but like the man who was writing up the natural history of Ireland, and coming to the chapter on snakes wrote, "There are no snakes in Ireland," so I must write, "There are no banking laws in Idaho." Nevertheless, the bankers there conduct their business in just about the same way as it is carried on in other States which have banking laws of more or less elaborateness and verbosity. All of which tends to show the folly of that increasingly numerous and very disagreeable class of people who are eternally wanting to regulate everything by statute laws. As for the national banks, of course Uncle Sam has them under his thumb as effectually in Idaho as elsewhere, and I believe they are all so conducted that they have no fear of examiners' visits catching them unawares. Nevertheless, we would not like to be taxed fifty dollars twice a year on that account. In fact, we think that a part of the tax on circulation ought to be devoted to the payment of the bank examiners.

One of the great needs of Idaho is more railroads. The principal system in the State at present is the Union Pacific, and the way it bleeds the people out there is a caution. I recently saw a freight bill on one carload of machinery from Auburn, N. Y., to Bellevue, Idaho. The charge from Auburn to Omaha (about half-way) was forty-two dollars and fifty cents, and from Omaha to Bellevue (the other half of the distance) it was four hundred and fifty-seven dollars. This is a fair average sample, and it occurs to me that, inasmuch as the Interstate Commerce Commission seems powerless, and the peculiar influences of railroads on legislative bodies seem to be particularly potent in Idaho, it would be an excellent plan for the Government to try the experiment of owning and operating a railroad by taking

possession of the Union Pacific under its mortgage, thus solving a troublesome political problem, and incidentally, perhaps, benefiting the people of a large section of country at the same time.

There is a vast region of country, about two hundred and fifty miles square, forming the basin of the Salmon River, having great resources in mines, timber, and agricultural capabilities, that is absolutely destitute of railroad facilities, and I believe unlimited wealth awaits the man or company that will open it up with a railroad.

Speaking of mineral resources reminds me that Idaho abounds in mineral wealth. To the southwest, in the Owyhee region, are the celebrated Oro Fino, and Delamar groups of mines, which have produced, at a rough estimate, over fifty millions in gold and silver ore, and are still producing immensely. In the Wood River country, in the central part of the State, are a number of mines which have produced millions in silver and lead, and are still producing. Further north, in the great watershed of the Salmon River, the whole country for hundreds of miles is honeycombed with gold and silver mines, while to the far north, in the Cœur d'Alene country, are probably the greatest silver-bearing galena mines in the United States at the present time. In common with the inhabitants of all other silver-producing States, we can not help deprecating the extraordinary, and what appears to us to be the unreasonable and unaccountable, hostility to silver which seems to have arisen within the past twenty years. It is a fact which, if generally known, seems to be persistently overlooked by the enemies of silver, that up to the time that it was demonetized, in 1873, the market value of the metal in a silver dollar was greater than that in a gold dollar; and further, that during all the time from 1840 until 1873 the ratio between the two metals never fluctuated more than from fifteen and forty-hundredths to fifteen and ninety-hundredths to one. The crusade against silver seems to have been inaugurated in Germany, just after the Franco-Prussian war of 1870, presumably to

make more burdensome the dreadful tribute that was exacted from the French people by their conquerors. Other governments, including our own, followed the bad example thus set, without any popular discussion of the subject, and without any demand for such legislation, or an apparent realization of its far-reaching and direful effects. It is the fashion to attribute the present low and declining price of silver to overproduction, ignoring the effect of its demonetization, but in view of the fact that it maintained its parity with gold from the days of Abraham, who is said in the Bible "to have had great wealth in silver," until 1873, in spite of the enormous production of the mines of Spain in the days of the Roman Empire, of Peru and other South American countries in the days of the Spanish domination, and of Mexico in the early part of the present century, while it began to decline immediately after it was demonetized, and has kept steadily declining ever since, I can not help concluding that the demonetizers are to blame for its depreciation.

The fact being established that demonetization was followed by depreciation, it is reasonable to conclude that remonetization would be followed by appreciation. That is the fundamental truth upon which rests the faith of those who demand the remonetization of silver, and that it is true is attested by the history of money from the earliest period to the present time.

I have read a synopsis of the speech of Mr. Gladstone, recently made in the British Parliament, giving his reasons for being in favor of monometallism, and simmered down to a point they seem to amount to nothing more than that the remonetization of silver would be a hardship to those who had put their money out expecting to be repaid in gold, overlooking the hardship to the unfortunates who have to scratch around to get the gold with which to pay. It is said in the scripture that the "borrower is servant to the lender." The same idea expressed in the vernacular of modern times would be that "the borrower is getting the worst of it all

the time." Such being the case, it would seem to be proper for the Government to try to lighten the load of the borrower, rather than to add to the burden. But it is said that if a free coinage act was adopted the silver of all the world would be dumped upon the United States. Why then was it not dumped here before 1873? Again, it is said free coinage would drive all the gold out of circulation and out of the country. To this we answer, first, we don't believe it; and, secondly, it is out of circulation already, and for practical purposes has been for years. I quote from the *Commercial and Financial Chronicle* of February 9, 1889: "As to the gold in circulation, whatever there is of it must be in the Pacific States, for in the Eastern, Western, and Southern States not one person in a hundred receives in ordinary business transactions a gold coin once in twelve months."

The dread of something indefinitely awful following the remonetization of silver is one of those groundless terrors to which the financial world seems peculiarly subject. I remember an instance or two in point. For example, in 1876 the platform of a great political party said, in effect, that specie payments could not be resumed in 1879, and that the attempt to resume would be ruinous. Nevertheless, resumption came about as easily as spring follows the winter. Again in 1870, when gold and silver were at a premium of forty per cent, the governor of Missouri urged the legislature to direct the payment of the interest on the State bonds in gold instead of greenbacks, and all the financial talent of St. Louis and of all the other cities of the State insisted that any other course would ruin the credit of the State and depreciate the bonds terribly; but the legislature thought otherwise, and directed that they be paid in greenbacks, and yet to the astonishment of the financiers the bonds straightway advanced in value instead of depreciating. So, it would probably be equally astonishing, though no more unreasonable, if a return to bimetallism should restore the value of silver and cause gold to be put in circulation by removing the incentive for hoarding it

which now exists, instead of driving it out of circulation, as the monometallists anticipate. In this connection I remark that so far as driving gold out of circulation is concerned, nothing is more likely to do that quickly and effectually than a flood of paper money of doubtful validity, and yet we have the anomalous spectacle of leading statesmen professing unrelenting animosity against silver on that ground, while advocating throwing open the floodgates and deluging the country with State bank currency.

I have seen numerous statements pro and con as to the cost per ounce of mining silver, but the fact is that it has no fixed cost. The cost depends upon so many circumstances, the quantity and richness of the ore, its accessibility to base of supplies, to nearest water, fuel, etc., whether easily treated or refractory, in all of which no two mines are alike, and even the same mine varies to an almost unlimited extent, sometimes being workable at a big profit and sometimes at an enormous loss. But judging from my own observation, I should say that throughout the Western States, at least, silver mining is not on the average a very profitable business. Inded, all the amateurs that I have heard tell their experiences seem to think it is very much the reverse.

It is a popular fallacy that all owners of silver mines are millionaires, and that they wish to bulldoze the world into granting special privileges to their commodity in order that they may add to their already overgrown hoard. Such is very far from being the case. Most of them are poor and in debt, and what they object to is the warfare that has been inaugurated against them and their commodity, and incidentally against all other commodities.

It was estimated recently by the director of the mint that while the stock of gold is about $3,600,000,000, that of silver is over $4,000,000,000, a little more than half of all the money in the world. That is so much wealth held by the people. Its senseless and causeless demonetization has already depreciated it nearly forty per cent. The monomet-

allists seek to destroy its value altogether by finally annihilating it as money, and when they have succeeded, if they ever do, will they not, I ask, have destroyed this $4,000,000,000 of wealth and made the world that much poorer? And not only that, but they will have put a stop to a great industry in this and many other countries that is now adding, and would continue to add, over a hundred millions annually to the world's wealth, a sum greater in thirty years than the entire national debt at the close of the war. And what will we have in exchange? Any more wealth? Any greater prosperity? No, not even any more gold. Who will have been benefited? The laborers? The business men? The producers? The regular bankers? No, none, except that soulless class, the professional money-lenders.

Suppose the Government should announce a settled determination to pursue a policy which had the avowed object in view of destroying utterly four billion dollars' worth of other property, not silver, or that would out of mere wantonness take that amount of money out of the pockets of the people, and besides that deprive hundreds of thousands of people of employment and permanently destroy an industry which, if properly treated as other industries are treated, would add vastly to the world's stock of wealth every year, would not a howl go up from every direction and from all sorts of people that would fairly rend the skies asunder and bury that government so deep in popular execration that it would forget that it ever existed? And yet that is precisely the proposition now pending. No, the cause of silver is the cause of humanity. As the God of nature made the golden sun and the silvery moon to furnish each its proper light upon the face of the universe, so he created gold and silver to go hand in hand as the inseparable money of mankind.

"Give a dog a bad name." It seems to be the fashion to attribute the present prevailing panic to the Sherman act. I believe it is innocent. It seems to me to be unquestionable that the senseless superstition concerning the sanctity of the

one hundred million dollars gold reserve was at the bottom of the panic, and that if all the world should adopt an exclusive gold basis it would always be within the power of cliques of shrewd speculators to start a similar panic in any county by ostensibly buying up and shipping out gold, and so creating the impression that there would soon not be enough left in the country to keep the wheels of business running. The real fault with the Sherman act is that it sets the Government to work to attempt to enhance the price of silver by trying all the time to buy it as cheap as it possibly can, an operation somewhat similar in absurdity to that of the man who attempted to lift himself by his boot-straps.

Now I don't believe in the efficacy of, nor in the necessity for, any complicated system of international agreements for the purchase of silver. All that is really required is to increase its uses as money and decrease the use of gold. The time was when gold dollars and quarter-eagles were common, and small gold coins are still very common, I am told, in most European countries. They are obsolete in this country, and even five-dollar gold pieces are too small. Nothing less than ten dollars ought to be coined, and all small bills less than five dollars ought to be retired. If also England, France, and Germany would retire all small gold coins, the use of silver as money would enormously increase, while that of gold would decrease, and the great loss from abrasion of small gold coin would thus also be saved ; and if, in addition to this, the United States would set the example of returning silver money to its rightful place as the companion of gold in her monetary system, and make it a legal tender even up to one hundred dollars, the rest of the world would soon be compelled, by the spectacle of our prosperity, to follow in our footsteps. Moreover, even if free coinage should unduly increase the quantity of silver, what of it? Probably silver would depreciate and go for what it is worth. Such things often happen. Gresham's law does not apply to this case; and after silver had thus found its natural level, if it was below sixteen to one, there could be a re-coinage

based on the true ratio. All we ask is to give silver a fair chance, and if it can not maintain itself at par, then let it go at its true value, whatever that may be. It would soon be adjusted by universal consent.

In conclusion let me say that this is manifest destiny. Struggle and fight against it as we may, it will come to this at last, for the greatest gold fields of the world are exhausted. There are probably no more rich placer mines, and whatever gold is mined in the future must nearly all be wrung from the unwilling grasp of the quartz ledges in whose almost impenetrable fastnesses it has been locked by the hands of nature. The supply is not keeping pace, and can not keep pace, with the progress of the world in material wealth and population, while the demand for it is increasing all the time. It is admitted on all hands that the crisis has arrived in which something must be done. Already the blind, groundless terror of what might happen if gold was driven out of circulation has more than discounted any evil effects that could arise from the adoption of a free coinage act, consequently now is the time to strike, and once for all liberate mankind from the slavery to gold which is undermining the prosperity of every nation under the sun.

BANKING IN ILLINOIS.

By Lyman J. Gage.

THE Governor of Illinois has requested me to prepare, in accordance with the plan proposed for the management of the Bankers' Congress, a history of banking in the State of Illinois. A paper suitable here must necessarily give but a very condensed and cursory account of the legislation, the judicial decisions, and the political and business events which make up such a history; for the banking interests and institutions of Illinois have not had the good fortune to be without a history, or to have had one dull and commonplace. On the contrary, to write it at large would be to trace the progress of the State from the time in its territorial existence when its citizens were all frontiersmen, and "coon-skins" were their circulating medium, down to to-day, when it stands, with its population of four million souls and its vast accumulated wealth, one of the foremost commonwealths of the world. Hardly a political contest of importance involving State issues has been waged during what is almost the century of its existence in which the policy of its banks, or the policy which it should adopt toward the banks, has not been a burning and exciting question. Almost every form of banking, and of State co-operation, control, and supervision therein, has found in the various constitutions and in the legislation of the State illustrations and examples. Costly experiments have been tried, and failed, and the failures have been attributed, according to the economic and political views of those who have discussed them in legislative halls, in the press and before the people, to diametrically opposing causes. Voluminous as a detailed history of

banking in Illinois would be, it would want nothing of interest and instructiveness, but such a history this paper can not be. It can but summarily and concisely indicate the salient features of such a history during three-quarters of a century.

Before the year 1816 there were no banks in the then Territory of Illinois. But before that year banks of issue had been established in Ohio and Kentucky and in the Territory of Missouri, and their paper had begun to circulate in the Illinois Territory; and despite the fact that the population of the Territory was composed of adventurers and frontiersmen, without cities, without trade, without manufactories, without any organized business upon settled principles, or any commercial training or education, things which in these days, at least, seem to bankers the necessary bases upon which any successful system of safe banking can be founded, there was a feeling that a necessity existed for the establishment of great banking institutions in Illinois itself. It was many years thereafter before capital which could be employed for such a purpose could be found at home. It must in any event have come from abroad, and it may well be doubted, therefore, whether any system that could be put in operation would have failed to have resulted in disaster. However that may be, by the concurrent testimony of all, that which was adopted was calamitous in its results.

On December 28, 1816, the Legislative Council and House of Representatives of the Illinois Territory passed an act, approved by Governor Edwards, establishing at Shawneetown a bank, which for more than a quarter of a century was an important element in the political history of the State, called the Bank of Illinois. Its capital stock was $300,000, one-third of which was to remain open to be subscribed for by the Legislature of the Territory, or of the State when the State Government, which was then contemplated, should be formed.

In 1818 the Legislature of the Territory incorporated a similar bank at Edwardsville, with the same capital and the

same provision concerning the subscription by the State for one-third of it; and also a third at Kaskaskia, with similar provisions. It was provided in all of these charters that these banks should have the power not only of taking deposits and making discounts, but that they should be banks of issue, emitting paper to circulate as money. It was provided that they were not to deal in anything but bills of exchange, gold, and silver, and goods in good faith pledged for money loaned and not legally redeemed. The presidents and directors must be stockholders and citizens of the Territory, and they were given power to establish branches wherever the directors saw fit.

Another bank was also instituted by the same Legislature on another plan. It was called the Bank of Cairo. Nine persons, all of them afterward more or less prominent in the affairs of the State of Illinois, representing that they were proprietors of about eighteen hundred acres of land at the junction of the Mississippi and Ohio rivers, and desirous of erecting a city there, were incorporated, together with all persons who might become joint proprietors with them or stockholders in the bank provided for, as a banking corporation, to exist for thirty years, under the name of "The President, Directors, and Company of the Bank of Cairo." The law provided that they should lay off the city within nine months into two thousand lots; that the price of the lots should be $150 each; that two-thirds of the purchase price should constitute the capital stock of the bank, one-half of which stock should belong to the purchasers of the lots, in the proportion of one share to each lot, and the remaining one-half to the proprietors, and that the other one-third of the purchase price should go to the improvement of the city. The directors were given power to name commissioners to sell the lots. When a person applied to buy, he should be directed to make a deposit to the credit of the Bank of Cairo in the Bank of the United States, or such branch thereof as there might be in the place where the commissioner might reside, and if there were no such

bank in any such place, then in any such chartered bank as might be most convenient. One-third of the purchase money was to be paid at once, one-third in three months, and the last third in six months, and no one person should be allowed to buy over ten lots. After five hundred lots had been thus sold or subscribed for, there was to be a public meeting to elect thirteen directors, who were to be given the usual powers of directors and managers. The lots were to be subscribed for without description and distributed by lottery by the president and directors. After all deposits upon the lots had been paid in, the bank could commence operations as a banking company. The bank directors were also to appoint commissioners to carry out the improvements at Cairo. They could increase the capital stock of the bank, but not above $500,000. To carry out the improvements at Cairo with the one-third of the purchase price which was set apart for that purpose commissioners were appointed. This ingenious land and banking speculation did not succeed, although in 1837, during the internal improvement craze, as it was called, an attempt was made to galvanize the bank into life for a short period.

Nor did the bank at Kaskaskia ever succeed in becoming an important factor in the business or history of the State, and whatever it may have done, or left undone, and we have the authority of the Supreme Court of Illinois in one of its decisions for saying, it issued no paper money, and because of that, so says Judge Sheldon in The People *vs.* Lowenthal, 93 Illinois Reports, "it can not be said to have defrauded any man." But the banks at Shawneetown and Edwardsville, and the many branches which were established thereunder, were, as before indicated, for many years in active operation, and the subject of no small discussion and contention. These banks were destined, however, to begin their troubles and reverses early. In 1819 there came one of those periods of depression, or "hard times," in which it is found that many people owe a great deal more money than they have any reasonable hope of being able to

pay, and in consequence thereof the proverbial "loss of confidence" ensues. It appears that the officials of the land office at Kaskaskia, then perhaps the most important business office in the State (whence it may be supposed comes the familiar term "a land office business"), had such a want of confidence in the Shawneetown and Edwardsville banks. Among the published papers of Governor Ninian Edwards is found a letter written to him by John Marshall, the president of the Bank of Shawneetown, under date of May 25, 1819, complaining bitterly that the land office at Kaskaskia and the bank at Missouri were treating the bank at Shawneetown very badly, and trying to break it down by refusing to take its circulating notes, expressing sympathy with the bank at Edwardsville, which he had been informed was similarly afflicted, and suggesting that the two persecuted banks should stand closely together and exchange their notes with mutual confidence. This, in his opinion, would make things prosperous once more. Prosperity did not however come, at all events to the banks. The State had been organized in 1818, and at the first session of the State Legislature a new bank was incorporated, by act approved March 22, 1819, by the name of the "President, Directors, and Company of the State of Illinois." This was to be the joint property of individuals and of the State. Half of its stock of four millions was to be subscribed by individuals, the rest by the State of Illinois, whenever the Legislature should deem it proper. Ten per cent of such subscriptions as were made was to be paid down in specie or current banking notes; but as soon as fifteen thousand dollars had been actually received, directors were to be elected and business begin. The president and six directors were to be elected by joint convention of the Senate and House of Representatives and six directors by the stockholders. Branch banks could be established to the number of ten.

It would seem that in the very short history of the banks of Shawneetown and Edwardsville political influence had

made itself feared, for it was provided that in this new bank no member of the General Assembly or judge of the Supreme Court or Circuit Court could be a director. As in the case of all the former banks which the Legislature had incorporated, there was a provision that the voting power of small stockholders should be greater proportionately than that of larger ones. This provision, apparently intended for the protection of the smaller stockholders, was to the effect that each person holding one or two shares of stock should have one vote, and that each stockholder should have one vote for each four shares of stock above ten and not exceeding thirty, and one for each six shares of stock above thirty and not exceeding sixty, and one for each eight shares of stock above sixty and not exceeding one hundred, and one for each ten shares above one hundred.

So far as this new bank, incorporated in 1819 under the name of the State Bank of Illinois, was concerned, this provision was not important, for no stock was ever subscribed, and the bank never existed, therefore, except in the statute book of the State; but it may be noted that the provision failed of its purpose also in the banks of Shawneetown and Edwardsville. As the land laws of the United States which forbid one person from entering by virtue of the homestead laws more than a certain number of acres are now systematically evaded by the employment of secret, but none the less real, agents, who enter lands with the understanding that they are to be conveyed to their employer when the title is perfected, so throughout the State of Illinois people subscribed for stock in the banks at Shawneetown and Edwardsville, and gave an irrevocable power of attorney to vote upon it to the persons who, for small commissions or none at all, had induced them thus twice to sign their names.

As neither the act incorporating this new bank nor the modification of it very shortly after, allowing subscribers to pay for the stock in State warrants rather than in specie, was successful in inducing subscriptions, the Legislature, at

its next session in 1821, repealed the law, and embarked the State of Illinois in a new banking project, wherein it acted officially and exclusively and without the co-operation of any private persons. By this time it had apparently ceased to be urged that confidence in banks would be restored by anything less thorough-going. Most of the banks in the neighboring States had failed, and the banks at Edwardsville and Shawneetown had suspended payment. On February 3, 1821, there was passed an act entitled "An Act Establishing the State Bank of Illinois," which was to have a capital stock of half a million dollars, based entirely upon the credit of the State. Its headquarters were to be at Vandalia, the seat of government, and it was to be owned entirely by the State. The State was divided into five different districts, each to have a branch of the State Bank of Illinois. One district was composed of Pike, Sangamon, Greene, Mason, St. Clair, and Monroe counties, with a branch bank located at Edwardsville; another, of the counties of Jackson, Randolph, Union, Alexander, and Johnson, with a branch bank at Brownsville; a third, of the counties of Pope, Franklin, and Gallatin, with a bank at Shawneetown; a fourth, of the counties of Clark, Crawford, Lawrence, Edwards, Wayne, and White, with a bank at the county seat of Edwards County; and a fifth, composed of the counties of Jefferson, Bond, and Washington, with the principal bank at Vandalia. There was to be a president and six directors of the principal bank, and five directors for each branch bank, to be elected by the Legislature every two years. There was to be one director at least from each county, and if there were more counties than directors to be elected, the oldest counties were to have the preference. The bank was allowed to issue circulating notes, which were to bear interest at two per cent per annum, a provision which the council of revision—a body then having the function of suggesting objections to legislation which was deemed ill advised—pointed out made the notes bills of credit emitted by the State and forbidden by

the Constitution of the United States. The Legislature evidently thought differently, and passed the law notwithstanding. The Supreme Court of Illinois, in 1826, having to pass upon this question, declared that the bills were not bills of credit emitted by the State, but reversed the decision in 1833, after the Supreme Court of the United States in a similar case, by the mouth of Chief Justice Marshall, had declared that similar bills, issued by the State Bank of Missouri, were liable to this constitutional objection.

The act further provided for the distribution of these bills, which, as is seen, were based entirely upon the credit and taxing power of the State, for no capital was ever invested in the bank. Indeed, the capital is explicitly specified in the act referred to as the half-million dollars of bills which the bank was authorized to issue. As a matter of fact, but $300,000 of them were emitted. Each branch bank by the terms of the law was given that portion of this issue which the number of inhabitants in that district bore to all the inhabitants of the State. The law provided that as soon as the president and directors of the different branches were furnished with the several sums as specified, they were authorized and required to loan out the same, or so much thereof as might be applied for by citizens residing within the district, and that the president and directors of the principal bank and each of its branches, in the granting of loans to the several applicants, should make among the inhabitants composing each of their respective districts a distribution as nearly as practicable according to the relative population contained in the respective counties in such districts. It was further provided that the person or persons applying should execute to the bank a note, to be secured by a mortgage on real estate free of all incumbrances, for all sums over one hundred dollars, while for that amount, or less, personal security deemed good and sufficient by the directors might be taken. Real estate so taken as security must be, in the opinion of the directors, double the value of the sum required to be loaned, and no individual should be entitled to

a loan greater than one thousand dollars, nor from any bank other than the one located in his district. The notes so delivered to the bank should bear six per cent interest, and the transaction would thus, in the opinion of the legislators, evidently make a profit of four per cent to the State. It was further provided that the notes and bills so issued should be receivable in discharge of all debts then or thereafter to become due, to any State or county, or to the banks. It is not perhaps surprising that with these provisions should have been connected one that such loans as were made by virtue of the act should be considered standing accommodations, and renewable yearly, provided that ten per cent of the indebtedness should be paid upon such yearly renewal. The law provided that the life of the bank should be ten years, and that each year one-tenth of the loans which were thus provided for should be called in, and one-tenth part of the whole amount of the notes should be redeemed and withdrawn from circulation. The president and directors of the different branches were to have the right to the same accommodation as other individuals, and in addition thereto an additional amount might be loaned to them; two thousand dollars to the president of the principal bank, one thousand dollars to each of the presidents of the branch banks, and seven hundred dollars to each of the directors. The salaries of the officers, however, seem hardly adequate when one considers the anxiety which the officers of such a banking corporation must have felt in regard to its finances, if they were conscientious men. The highest was to be eight hundred dollars yearly.

The State Bank previously incorporated did not have that success in receiving subscriptions which enabled it to open its doors, but there was not, as might have been expected, any difficulty in launching this new State Bank in business. According to contemporaneous accounts, speculation in lands had previously been so rife that everybody seemed inextricably in debt to everybody else, and all rushed to secure their guaranteed accommodation. The

$300,000 that were issued was almost immediately absorbed; nor was the security closely scrutinized; but lest there should be a reluctance on the part of creditors, after the members of the Legislature and the other citizens of the State had secured their loans, to receive the bills in payment of debts, the Legislature at once proceeded to drastic measures to compel them to do so. At the same session, by supplementary act, it was provided that there should be, in all cases where claims were sued, a stay of sixty days in execution, but if a contract was made for payment in gold or silver, the stay should be from sixty days to five months, according to the amount. This act was at the next session, in 1823, by which time the bank bills had fallen in value to a comparatively small proportion of their face, supplemented with the further provision that unless, upon every execution which was issued from any court, there was an indorsement made that it could be paid in State bank notes, it should be stayed for three years. The law creating this State bank was not passed without opposition. The Speaker of the House, who was not allowed a vote except in a committee of the whole, was obliged in order to voice his objections (since the House would not at his request go into a committee of the whole) to resign his office, which he did in order to denounce the bill. After its passage a joint resolution was passed that the Senators and Congressmen from Illinois should use their utmost exertions to procure the notes and bills of the State Bank of Illinois to be made receivable in the different land offices of the State, and the Governor was directed to send a copy of the resolutions and of the law creating the bank to the President, to the Secretary of the Treasury, and to the Commissioners of the General Land Office, in order, presumably, that they might all see upon what sound principles of finance the bank had been instituted. It is said that when this resolution was put to vote in the Senate the old French Lieutenant-Governor, Pierre Menard, expressed himself in this manner: "Gentlemen of the Senate: It is

moved and seconded that de notes of dis bank be made land office money; all in favor of dat motion say aye; all against it say no. It is decided in de affirmative. And now, gentlemen, I bet you one hundred dollar he never be land office money." And such proved to be the fact.

When the Legislature met in 1823, as has been already stated, new laws were passed to force the bills upon the people, for by this time they were not worth in the open market more than one-third of their face. The notes, however, were valuable enough to have much increased the prevalency of counterfeiting and forging, and laws were passed heightening the penalties for these crimes, and adding to other punishments public whipping.

To the Legislature of 1823 the State Auditor made a report, in which he said: "The subject of our currency will undoubtedly occupy a portion of your deliberations, and you will in your wisdom devise some system by amending your bank charter whereby this currency may rise to such a standard of value that those who have judgments against the State may receive them without a loss in many instances of half their claims. It is true that an extraordinary change in the times imposed upon the last Legislature the necessity of the adoption of some proper expedient as a substitute for a more substantial currency to guard a portion of our citizens from the impending ruin which at that time appeared to await them. * * * It must now clearly be the policy of the Legislature to devise some means whereby their public servants should not bear the burden of this depreciated currency. * * * It must be obvious to most of your body that a measure must be pursued to enhance the value of the paper and restore public confidence in the currency, for it is notorious that while the public servants are required to take this paper at par and pass it for the necessaries of life at less than two for one, the non-resident is liquidating his debt to the State for less than one-half of the substantial demand the State may have against him. By providing for sinking this paper it would reduce

the quantity in circulation, and thereby make the demand greater, and consequently advance its worth, and it will no doubt be observed that a further issue would not increase the amount of substantial capital afloat."

The Legislature apparently rose to the height of the occasion, so far as the public servants, or a portion of them, were concerned, for it voted to pay to the State officials and to its own members treble the amount of the Auditor's warrant; and then went on to pass other laws to make private creditors take the bills at par.

In the session of 1825, however, the Legislature did pass an act requiring the cashier of the bank to collect all the bank notes issued, and which had come back to the bank, and all unsigned notes or notes never issued, and burn them in the presence of the Governor and the judges of the Supreme Court in the public square in the town of Vandalia. It also provided that all notes which afterward came into the hands of the State Treasurer should have a stamp of re-issue placed upon them, and then should be paid out without adding interest, and should thereafter cease to bear interest; while all those which came into the hands of the cashiers of the different branch banks in payment of installments of the indebtedness should be each year burned during the session of the Supreme Court, in the presence of the judges thereof, and of the Governor and Secretary of State, and of the Auditor of Public Accounts, and of the State Treasurer. This act also did away with the president and directors of the different banks; vested the entire power of the banks in the hands of the cashiers, and provided that the cashiers should be appointed by the Governor. By various reports of the Auditor, however, up to 1831, when the affairs of this bank were finally wound up, it appears that very few of the notes found their way into the hands of the cashiers to be burned — in some years only three or four bills. The persons owing debts were apparently either unable or unwilling to pay them even in the depreciated currency at the bank.

It was apparently making almost a virtue of necessity that the Legislature finally, in 1833, passed an act, supplementary to various acts theretofore passed, for winding up the affairs of this bank, which provided that when the Circuit Court of any county should be satisfied that it would distress the widow or orphan children of any deceased debtor of the State Bank to enforce collection of what he might have owed thereto, that an order should be entered canceling the debt and discharging the obligation, and another act that any other person indebted to the State Bank might be allowed to pay said debt in three annual installments, with the remission of all interest and twenty-five per cent of the principal.

Previous to this, however, the affairs of this State Bank of Illinois had been substantially closed, for in 1831 the Legislature passed an act authorizing the State to borrow one hundred thousand dollars to pay the ordinary expenses of the Government and to redeem the notes of the State Bank of Illinois. The State borrowed this money from a man named Wiggins, at the East, and redeemed all the notes of the bank that were then outstanding, either in money or by evidences of State indebtedness. The majority of the Legislature deserves some credit for self-sacrifice and moral courage, for the rumor rapidly spread through the State that it had been sold to Wiggins, and as Governor Ford in his entertaining History of Illinois says, "The honor of the State was saved and the Legislature forever damned."

One of the interesting episodes in the history of this bank while it existed was the savage attack made upon the officers of the Edwardsville branch by Governor Edwards in his message to the Legislature in 1826. He charged actual corruption, instancing a loan which he said they had made of two thousand dollars upon a mortgage upon real estate which upon execution was valued at seven hundred and thirty-seven dollars and which sold for five hundred dollars, while it was the sworn duty to exact real estate

security in double the loan and to loan but one thousand dollars to any one person. He also charged that this particular loan was to buy a printing press to advocate the introduction into the State of negro slavery. By subsequent message he attacked the cashier of the principal bank at Vandalia. The fight was made a political one, but by the Legislature the cashier of the Vandalia Bank, and afterward the president and officers of the bank at Edwardsville, were acquitted of any evil intent.

During these years the original banks at Edwardsville and Shawneetown had suspended business altogether, and from 1831 to 1835 the State was without banks of any kind. During those years, indeed, when the Legislature chartered corporations for manufacturing or trade, it was always expressly provided that no banking powers should be exercised by them, nor any bills of credit, promissory or bank notes be issued as circulating medium in lieu of money. In 1834, however, a demand for a bank again made itself heard.

Joseph Duncan was elected as Governor, and in his inaugural message he said, "Banks may be made exceedingly useful in society, not only by affording an opportunity to the widow and orphan and the aged who possess capital, without the capacity of employing it in trade or any ordinary business, to invest it in such stock, but also by enabling by its use an enterprising mechanic, merchant, or tradesman more successfully to carry on his business and improve the country."

On February 12, 1835, the Legislature chartered a new bank with a capital of $1,500,000. It was called the Bank of the State of Illinois, but of the capital stock $1,400,000 was to be subscribed by individuals and $100,000 only by the State. It was to continue in business by its charter to January 1, 1860. Its powers were to carry on the business of banking by discounting bills, notes, and other evidences of debt, by receiving deposits and making other contracts, including those for interest for the use of money, by buy-

ing and selling gold and silver bullion, foreign coins, and bills of exchange, by issuing bills, notes, or other evidences of debt, and by exercising such other incidental powers as should be necessary to carry on all such business; it could hold such real estate as was necessary for the purpose of its business, or was conveyed or taken by it in good faith in satisfaction of debts, but was prohibited from otherwise dealing in it. It was further provided that it should not directly or indirectly deal or trade in goods or commodities. Its principal office was to be at Springfield. As in the banks previously chartered by the State, small holders of stock had proportionately more votes than larger ones. No officer or director could during the term of his office be eligible to either branch of the General Assembly of the State. It had the power to borrow one million of dollars to loan out on real estate mortgages for five years. It could issue bills to two and a half times the value of its capital stock, and loan and discount to three times the amount of its capital stock. Should it refuse to redeem its notes in specie for ten days, its charter should be forfeited. It was provided that the Legislature should never pass any law retarding, obstructing, staying, protracting, or in anywise suspending the collection of any debt due to it. Its circulating notes must not be of denominations less than five dollars.

The stock of this bank was eagerly taken, the subscriptions soon exceeding the limit. Prominent men of the State borrowed money at the East to invest, and as before, with a view to engrossing enough stock to direct the bank, various parties procured through agents scattered through the State powers of attorney to subscribe for bank stock and to manage it subsequently, this being the only practical result of the provision supposed to be for the benefit of small holdings. The stock ran up to a premium of thirteen per cent. Upon the same day an act was passed continuing in force for twenty years from January 1, 1837, the act of December 28, 1816, incorporating the president, directors,

and company of the Bank of Illinois at Shawneetown. This bank had been out of business for twelve years, but it now began operations again very actively, and for the next few years continued them. During those years it and the State Bank of Illinois were the principal factors in the business and political history of the State. The authorized capital of the revived bank of Shawneetown was at first only $300,000, of which one-third was reserved for the State to take.

The State Bank, like its predecessor, seemed rapidly to succumb to political and other influences in a manner inconsistent with true principles of banking, and is supposed to have lost, although it was kept at the time a secret, a million of dollars in attempting to aid certain merchants of Alton to monopolize the lead mining and smelting industries; to run a corner in lead, as we should now express it. Governor Ford in speaking of this says, with his accustomed shrewdness, "This is a sample of the danger of endeavoring to force trade wholly against nature out of its accustomed channels. Let it be a warning also to all banks not to engage, either by themselves or by their agents, in the ordinary business of trade and speculation." But to outward appearance the Bank at Shawneetown and the State Bank continued to be sound and in good repute until 1837. In 1835 Governor Duncan tried to induce the State Legislature to authorize a subscription of a million of dollars to the capital of the State Bank, increasing it to that amount; but this it refused to do, although it shortly afterward required and authorized the Governor to subscribe for the $100,000 of stock which had been originally reserved for the State. It was early in 1837, and before the financial revulsion of that year, that the internal improvement craze was at its height in the State of Illinois, and that an act was passed by the Legislature establishing what was called the Board of Fund Commissioners, and providing for immense works in the way of improvements in navigable rivers, and in constructing canals and railroads.

In connection with this internal improvement act was passed another, increasing the capital stock of the State Bank of Illinois in the sum of two million dollars and increasing the capital stock of the Bank at Shawneetown $1,400,000. The newly created Board of Fund Commissioners were to borrow three millions of dollars and give therefor certificates of indebtedness, to be called the Illinois Banking and Internal Improvement Company stock, to be signed by the Governor, Auditor, and Treasurer of the State, and to bear six per cent interest. With the proceeds of this loan they were to subscribe for and pay for the additional two millions of stock in the State Bank of Illinois and a million of the increase of the capital stock of the Bank at Shawneetown, the other $400,000 to be sold in open market. Five directors were to be elected by the State Legislature for the Bank of the State of Illinois, and nine additional directors for the bank at Shawneetown, which was allowed to establish branches at different parts of the State.

It is to be remembered that the Board of Fund Commissioners had already been authorized to negotiate other loans for the State for internal improvements, and the expectation, as the language of the law itself shows, and as contemporaneous report confirms, was that there would be such a profit to the State in this banking transaction as would go far toward paying the interest, at least, upon these internal improvement loans. The two banks were made by law the agents of the State in the collection, receipt, transfer, and disbursement of the internal improvement funds, and the State Bank of Illinois was in effect made the treasury of the State by an act requiring the Auditor to contract with it that it should receive upon deposit and disburse the State's revenue. The hope of making a profitable result was soon, however, to be dissipated. A financial revulsion, extending over the whole country, came within two months. The banks had taken the State internal improvement bonds at par, amounting to almost three millions of dollars, but had

sold less than a million. It was the Whig party which was pressing the system of internal improvements; the Democrats were opposed to it, and therefore hostile to the banks. Foreseeing the trouble to some extent which came, the different branches of the banks had been engaged in exchanging issues in order to throw the circulation as far as possible from the point of redemption. In May, 1837, they were obliged to suspend specie payments, and in July, a special session of the Legislature having been called for the purpose, it was provided that such suspension should be considered legal and should not forfeit the charter of the banks. The suspension might last, so the law said, until the end of the next session of the General Assembly, but in the meantime the banks must conform to the following conditions: Pay no dividends, dispose of no gold or silver, report monthly to the State officials, limit their circulation to the amount of their capital stock, take State funds upon deposit, and pay them out upon proper orders free from charge, and allow people to pay their debts to the banks in installments at the rate of ten per cent each year until specie payments were renewed.

This act was passed on July 21, 1837. It will be remembered that the Legislature, in 1835, in the law incorporating the State Bank of Illinois, had solemnly enacted that the Legislature of the State should never pass any law retarding, obstructing, staying, protracting, or in anywise suspending the collection of any debt or debts due to the State Bank. It furnishes a somewhat striking example of the futility of such provisions not incorporated into a paramount written constitution.

As was very natural, this legislation extending and expanding the State bank system, followed immediately by a great commercial depression, the suspension of specie payments, and the special session of the Legislature legalizing such suspension, threw the State into a hot political contest, for at that time the Whigs generally were friends of State banks and State control and ownership. Through-

out the State the Whig newspapers and speakers were called by their opponents "bank vassals" and the "ragocracy," and like the free-traders of a later time, declared to be bought by British gold. The Whigs through their organs retorted that the Democrats were unpatriotic, unprogressive, and traitorous, and with all their vigor defended the banks.

To protect the State banks against the competition of private bankers, the Legislature, under the control of the Whigs, passed what was called the small bill act in December, 1838. This act made all notes of any private person less than five dollars in amount uncollectible, and further provided that if any person should draw or pass as or in lieu of money any note or bill issued or published by any joint-stock company not incorporated, it should be uncollectible in law, and that any such person or persons so uttering or passing notes or bills issued and published as aforesaid should be deemed and considered swindlers, and should be liable to indictment as such, and upon conviction should be fined in any sum not more than one thousand dollars for each offense.

In March, 1839, the power of appointment of directors was yielded by the Legislature to the Governor, and the directors of the bank at Shawneetown were allowed to establish two additional branches. A law was passed at this session of the Legislature further legalizing the suspension of specie payments until the end of the next session of the General Assembly, and joint resolutions were adopted deprecating in the strongest terms the action of the General Government in refusing to make the banks of Illinois depositaries of the public money, and depositing the money instead in the State Bank of Missouri, to the manifest injury, as the resolution said, of the banks and of the people of the State.

The officers of the General Government had not, perhaps, forgotten that by the failure years before of the old bank at Edwardsville there had been lost $54,000 of the

public funds. The Legislature evidently believed, or made believe very hard that it did believe, in the solvency of the banks, for in incorporating the Tazewell County Commercial and Fire Insurance Company it provided that the funds of the company, in order that they might be perfectly safe, might be invested only upon mortgage of real estate or in bank stock of the State Bank of Illinois or of the Bank of Illinois at Shawneetown. In 1840 the Legislature was convened two weeks before the time of the regular session to provide a means to pay the interest on the public debt. The act legalizing the suspension in 1839 was to extend until the end of the next session of the General Assembly, as before stated. The Democrats held that if the special session was adjourned *sine die* before the regular session commenced, the banks would have to begin specie payments. The Whigs, who were in the minority in the Legislature, endeavored to prevent this adjournment by breaking up the quorum. As the Democratic majority guarded the doors by sergeants-at-arms, they attempted (Abraham Lincoln among them) to escape by the windows. They were not, however, successful in breaking up the quorum, and the special session did adjourn *sine die*. The Democrats, who were the enemies of the banks, thought they had prevented further legalizing of the suspension, and consequently had in all probability killed the banks. But their triumph was short-lived. By the use of legitimate or illegitimate influence, before the regular session had closed a law was passed setting aside any penalty which the banks might have incurred by refusing to pay their notes in specie and legalizing a further suspension. Certain further conditions were imposed, as, for instance, that the banks should not make any loan on the pledge of their own stock, and that they should not allow any one person to become indebted to a greater amount than ten thousand dollars on his own paper, nor upon bills of exchange to a greater amount than twenty-five thousand dollars, and that at every election there should be two new directors. There was a further

condition, which, however, at the next session was rescinded, that the State Bank should within six months remove from Chicago a branch erected at that place and put it somewhere else. At the same session the singular condition was imposed upon a purely manufacturing corporation in granting to it a charter that all sums received by its treasurer exceeding in amount one hundred dollars must be by it deposited in the State Bank at Vandalia. Many charges were made at the time, and have been made since, that this legislation in the session of 1840 and 1841 in favor of the banks was the result of bribery and corruption, for the Democrats, avowedly opposed to the existence of banks and insisting that they ought to be put in liquidation, were the majority in the Legislature, and yet passed the bills. This, at least, is true, that the State Bank was the only place where the members of the Legislature could cash their warrants. The banks had agreed to do this, and it was probably not without influence upon the law-makers. The directors of the banks had become involved in the various internal improvement schemes and wanted large advances from the banks, and to procure legislation favorable to the banks and the good-will of influential persons undoubtedly extended unwarranted credit. At all events their condition became more and more alarming. The State was largely in debt to them and the State finances were in exceedingly bad condition. The bills of the bank began to decline, falling from fifteen per cent to twenty-five per cent, and finally early in 1842 the State Bank of Illinois suddenly failed and closed its doors. This was followed in June of the same year by the failure and closing up of the Shawneetown Bank.

It was in that year that Governor Ford was elected by the Democrats to the gubernatorial chair. The excitement was tremendous. The State was a heavy debtor of the banks, and the private persons interested therein had the sympathy of a large portion of the citizens of the State, who asserted that the Democrats, by their opposition to the

banks, had destroyed confidence, and that this was the only trouble; whereof Governor Ford, himself a Democrat, and therefore perhaps personally resenting the imputation, declares that according to the views of these people "if the banks owed five times as much as they were able to pay and the people owed each other and the banks more than they were able to pay, yet if the whole people could be persuaded to believe the incredible falsehood that *all* were able to pay, this would be a revival of confidence rather than the restoration of a delusion."

The State Bank of Illinois at the time of its failure had a circulation of three million dollars, and the bank at Shawneetown a circulation of one million seven hundred thousand dollars. The State and the banks had been partners in speculation, and now they were partners in embarrassment. The revenues of the State were payable in notes of the broken banks. The State paid no interest on her bonds, of which the banks held a large amount, and the bonds were worth in the market but fourteen cents on the dollar. The bills of the banks were worth comparatively nothing, and the people were left without any circulating medium to speak of until money came slowly from abroad into the State to pay for its natural products.

After this catastrophe, and when Governor Ford came into office and the Legislature met in the winter of 1842–43, almost all persons in the State, of authority and influence, were united in the idea of putting the two banks into liquidation. The exceptions were entirely among the Whigs, a few of whom still held to the belief that the State banks should be rehabilitated, put upon some specie-paying basis, and allowed to continue business. But although the majority in the Legislature against this course was overwhelming, that majority was by no means agreed, nor even divided upon party lines, as to the proper method of bringing the existence of the banks to a close or of winding up their affairs. A portion of the Democrats more radical than the rest desired to pass a law repealing the charters and

appointing commissioners who should take charge at once of the specie and other effects of the bank and proceed to collect their dues and pay out pro rata with the greatest possible dispatch. Some of the executive officers of the State were of the same disposition, notably Lyman Trumbull, then a young man and just elected Secretary of State, and with him, after some hesitation, Stephen A. Douglas coincided. But all the Whigs and the larger part of the Democrats in the Legislature were for more moderate measures, and that party was headed by the Governor himself, who with his own hand drafted the bill which the Legislature passed on January 24, 1843, entitled, "An act to diminish the State debt and to put the State Bank into liquidation," and an act passed February 25, 1843, entitled, "An act to reduce the public debt one million dollars, and to put the Bank of Illinois at Shawneetown in liquidation." Prior to the introduction of these acts by joint resolution, the Governor and the Auditor had been appointed a committee to devise a plan for an amicable dissolution of the relations between the State and the Bank of the State of Illinois and the Bank of Illinois at Shawneetown, the resolution declaring that such dissolution was advisable. It was probably in consonance with the instructions of this resolution that the Governor became the draftsman of the bills. The operation of the laws, which were finally passed by a very large majority notwithstanding the vigorous opposition of a few, seems to have been on the whole very satisfactory. The great and growing prosperity of the State, and the immense immigration which at that time was setting toward it, undoubtedly aided such operation. At all events the State Bank, under the directions of its own officers, gradually liquidated its indebtedness, not altogether, however, without some conflict with the State, with which its accounts were almost inextricably mixed. The law provided that the specie should be paid pro rata to the creditors of the bank immediately, and certificates of indebtedness given for the residue of the respective obligations, such cer-

tificates to be receivable in payment of any deposit due to the bank and for anything purchased of the bank. It further provided that such specie as should be received in the collection of the debts due the bank should be thereafter paid out pro rata upon certificates. The specie in the hands of the bank was protected from execution against it so long as the officers would comply with the law in relation thereto, and debtors to the bank were given a stay of judgment against them provided that they would pay one-fifth of their indebtedness at once and one-fifth each in seven months. As far as the State was concerned, it took from the bank the evidence of the State's indebtedness in exchange for the stock of which it was the holder.

The Bank of Illinois at Shawneetown did not pass out of existence with as little friction as the Bank of Illinois. Prior to the legislation of which I have spoken, men of a speculative turn had bought the controlling interest in the stock of the bank, held by private parties, and elected themselves directors. They borrowed one hundred thousand dollars from the bank in specie, transmitted it to New York and bought for thirty cents on the dollar the State bonds of Illinois, which had been illegally hypothecated by one of the fund commissioners, so called, under the internal improvement act. They then used part of the bonds at par to pay the bank the one hundred thousand dollars of specie and their unpaid notes which the bank held, and afterward undertook, in the name of the bank, under the legislation which had been passed, to tender to the Governor the bonds and scrip at par in payment for the State's bank stock. This piece of financiering met with the vigorous disapprobation of the Governor and the Legislature, who, however, at last, as a compromise, under an act passed in 1845, took the bonds at forty-eight cents on the dollar. Subsequently the State Bank of Missouri, jointly with several other creditors, brought a chancery suit in the United States Court for the District of Illinois against the bank and its officers and agents. By the decree in this cause three receivers were

appointed to take charge of the bank's assets, make sale, and apply the proceeds in payment of its debts and in redemption of its issues, and to settle its affairs generally. But one of its trustees qualified, and upon his death Judge Thomas of Jacksonville was appointed in his place, and acted in that capacity about twenty years. Early in 1871 he remitted to the Clerk of the United States Circuit Court at Chicago, who had been appointed a special auditor, the last, as it was supposed, of the notes and certificates, amounting to about seven hundred dollars, for cancellation. As has been mentioned, the bank at Cairo, during the internal improvement craze, had been galvanized into a sickly life. No such consideration was shown to it as to the other two banks. Its charter was repealed, and its property vested in a trustee, who was given the largest possible powers and ordered to cellect the assets and pay them out pro rata as soon as possible.

By the liquidation of these banks under this legislation the history of banks in Illinois owned wholly or partly by the State ends. The State rapidly increased in prosperity, many and varied causes undoubtedly contributing thereto, although Governor French, elected in 1846, was disposed in his inaugural message to attribute it altogether to the forced liquidation of the banks.

One of the great political parties of the State, the Democratic, was disposed to hold, and in its convention in 1846 declared in its platform, that neither State banks nor any other banking institution whatever ought to be incorporated or charted by the State. A constitutional convention was held in 1847, and formulated and published a constitution in August of that year, which was submitted to the people in 1848 and ratified by them. During the sitting of the convention the Democratic press throughout the State strenuously insisted that banks should not be tolerated, and an article was proposed in the convention absolutely forbidding the Legislature to create any bank or to authorize the issue of bank paper, and requiring it to prohibit by adequate pen-

alties the circulation of all bank paper in the State. This proposition was rejected by a majority of only one vote. But the provisions as they finally appear in the formulated constitution were much less drastic. They provided that no State bank should thereafter be created, nor should the State own or be liable for any stock in any corporation or joint-stock association for banking purposes to be thereafter created; that the stockholders in every corporation or joint-stock association for banking purposes issuing bank notes or any kind of paper credits to circulate as money should be individually responsible to the amount of their respective shares of stock in any such corporation or association for all its debts or liabilities of every kind, and that no act of the General Assembly authorizing corporations or associations with banking powers should go into effect or in any manner be in force unless the same should be submitted to the people at the general election next succeeding the passage of the same, and be approved by a majority of all the votes cast at such election for and against such law.

In the session of the Legislature in 1850–51 an act was passed under this constitution establishing a general system of banking. This act was framed upon the lines of the banking law of New York, of which it was nearly a counterpart, and as to the provisions concerning the issue of bank notes went much upon the same theories as the present national banking system. It provided that the Auditor of State should procure bank notes to be engraved and printed to the extent necessary to carry into execution the act, and that these bills were to be delivered to associations and persons desiring to go into the business of banking, when such persons should deposit with the Auditor the bonds of the United States or of any of the States whose bonds were not in default, the aggregate amount of said notes so delivered to be twenty per cent less than the average market value in New York for six months preceding of such bonds. Any number of persons might incorporate a bank for discount, deposit, and circulation, but the aggregate amount of the

capital stock should not be less than fifty thousand dollars. The bank so organized should have the power to carry on the business of banking by discounting bills, notes, and other evidence of indebtedness, by receiving deposits, and by buying and selling gold and silver bullion coins and bills of exchange, by loaning money on real and personal securities, and exercising such other incidental powers as might be necessary. The Auditor of State was to give a bank depositing bonds with him a power of attorney to receive dividends upon them, which might, however, be revoked when the principal of the bonds became insufficient security for the circulation. The State should sell at public auction the bonds thus pledged upon failure of any bank pledging them to redeem its circulating notes. The State did not, however, guarantee the payment of the notes, but did guarantee the proper application of the proceeds of such pledged securities, which were to be in the hands of the Auditor security first for the circulating notes of the bank pledging them, and secondly for its other liabilities. It was provided that the circulating notes must be payable on demand in specie, and that a proper reserve of specie for that purpose should be kept, but the amount was not specified. The banking associations could hold real estate only for the purposes of their business, and when taken in satisfaction of or to save debts.

Heavy penalties were provided for issuing notes exceeding in amount what was allowed by the law, and creditors or shareholders of more than three thousand dollars might apply to the Circuit Court for judicial examination of the bank. If the circulating notes were not redeemed upon protest the powers of the corporation were to cease, and the courts might appoint receivers. Banking commissioners were appointed with the duty of making an annual examination of all the banks and of the securities filed with the Auditor, and they should publish their reports in the newspapers. Four times a year the banks were to report to the Auditor the amount of their capital stock, the value of their

real estate, the debts owing to the bank and the debts owing by the bank, their deposits with other banks, the amount of notes and bills in circulation, and their suspended debts, and neglecting to report, must liquidate. Any bank redeeming ninety per cent of their notes in circulation, and depositing enough to pay the balance with another solvent bank, might withdraw their securities from the Auditor and go out of business.

Upon the enactment of this law by the Legislature the political contest concerning banks and banking broke out with renewed fierceness. It was passed by the Democratic Legislature and was immediately vetoed by the Democratic Governor, Augustus C. French. In his veto message he declared that banks should be for the accommodation of the people, not for the exclusive profit of the bankers, and should at all hazards provide for the convertibility of bills into specie. Being now without banks in Illinois, he said, the people can make their own terms. He pointed out that there was no provision that the banks should have a stated amount of gold and silver to redeem its notes in circulation, and declared that it was carrying the principle of free banking to an extent never before tried or risked in any country. "Nothing," he said, "can be added to the history of banking to prove beyond all doubt that credit can not possibly be used for any length of time as banking capital without the most serious distress to both the currency and the country. The history of such a system, as justified by all experience, may be repeated in a few words. Its tendency is to increase the abundance of money, advance prices, aggravate the spirit of speculation, lessen the specie circulation, and increase the demand for its exportation, and consequently produce a drain upon the banks. Then a panic ensues which leads to the withdrawal of specie and advance in the rates of interest, and difficulty in obtaining discounts, and an apprehension of approaching disaster which is only dispelled by the destruction of the system, the bankruptcy of individuals, the sacrifice of

the security relied upon for redemption, and then the gradual return of gold and silver into those channels which have been monopolized by credit circulation." He further pointed out that there was in the system proposed no provision for the personal liability of stockholders to an amount exceeding the amount of their capital stock, and declared that all stockholders in banking associations should be held liable in full for its debts. He declared that the security for the circulation provided was mere evidence of public indebtedness, constantly undergoing serious fluctuations in value, and that such evidence of debt was no safe basis for banking, which ought to be actual coin, and closed by saying that if the law went into operation in its existing shape one of the professed objects of establishing banks among us would be utterly defeated, viz., the prevention of the circulation of a great variety of bank paper the character of which was suspicious and unknown. Under the constitution this law had to be submitted to the people. To make the election reasonably early, and yet a general election, as required by law, the Assembly resorted to the device of legislating all of the county treasurers out of office and ordering a new election for them, and after an energetic canvass throughout the State by the friends and enemies of the law, it was adopted by a vote of the people in November, 1871. The vote stood 37,626 for it and 31,405 against it.

As soon as this law went into operation many banks of issue were started, for in the rapidly growing commerce and industry of the State banking facilities and a bank currency were needed. Up to the outbreak of the great Civil War all banks of issue were incorporated under it and governed by its provisions, and it formed the basis of the currency of the State. The construction, however, placed by the Legislature and by the lawyers of this State upon the constitutional provisions concerning banks in the constitution of 1848 confined the operation of those provisions to banks of issue alone, and up to the adoption of the new

constitution of 1870 many private charters, amounting (as the Supreme Court of Illinois, construing in accordance with this view the constitution of 1848, declared in 1879) to one hundred and seventy-five, were granted by the Legislature to banking corporations whose powers were confined to deposit and discount. With these banks of deposit and discount merely, thus created by private charter, and with the private bankers of the State carrying on the same business unincorporated, but without the power to issue circulating notes, this paper does not deal. They are important factors in the banking interests of this State, however, for it is estimated that there are in Illinois to-day at least five hundred banks of deposit and discount, either existing under such private charters or unincorporated, and a capital of at least fifteen million dollars engaged in banking through the medium of such incorporations and of private banking houses. These estimates are but roughly made, for accurate statistics on the subject can not be had.

The Auditor's report in 1852 shows that under the banking law of 1851 there had been already seventeen banks of issue organized, which had deposited with the Auditor securities in value of $1,142,544; that sixteen banks had filed certificates, but had not completed their organization, and that seven other banks had filed certificates and then abandoned their organization. The bonds deposited were almost altogether Illinois, Virginia, and Missouri bonds, but there were a few of California and of Kentucky, and some of Ohio.

The Auditor's report of 1854 showed a list of thirty-three banks scattered over the State. Two banks had gone into liquidation, solvent, and one having refused to redeem its circulating notes had been closed and a receiver appointed. The securities deposited were the bonds of Virginia, Georgia, Missouri, Ohio, California, Kentucky, South Carolina, and Illinois, all at par except those of California, which were rated at eighty per cent, and various Illinois bonds at various rates of discount. The total amount of

securities was in value about two millions and a half, and the circulating notes about the same.

In 1856 the Auditor reported a list of about sixty banks. Five had gone into voluntary liquidation, solvent, and six were in the hands of receivers. The securities were the bonds of Virginia, Missouri, Louisiana, Tennessee, North Carolina, South Carolina, California, Georgia, Ohio, Kentucky, Wisconsin, and Illinois. The largest amount of these were the Missouri bonds, which seemed during the entire period of the operation of the law to be the favorite securities used by the banks. The par value of the entire amount of securities was about seven and a half million dollars, their cash value about six and a half million dollars. The outstanding circulation of the banks was a little under six and a half million dollars. There were about nine hundred thousand one dollar bills, five hundred thousand each of two dollar and five dollar bills, two hundred and fifty thousand three dollar bills, one hundred thousand ten dollar, and seven twenty dollar bills. Not all of the banks seem to have made their quarterly reports, but about forty are shown. These show the total resources of the banks reporting to be about thirteen million dollars, the amount of their notes in circulation about five and a half million dollars, their capital stock about six million dollars, their deposits about one million dollars, and the specie on hand six hundred and thirty-five thousand dollars.

In 1858, owing undoubtedly to the commercial depression of 1857, the number of banks had decreased to forty-seven. They had $6,750,000 worth of securities with the Auditor, and a circulation of $6,205,000 in notes. Almost exactly one-half of the bonds deposited with the Auditor were Missouri bonds, valued at 90 cents; then came Virginia and Tennessee 6s at 97 and 94 cents, respectively; then Louisiana at 96, North Carolina at 93, South Carolina at 100, Georgia at 102, Kentucky at 104, Ohio at 106, Iowa 7s at 110, Michigan at 106, Wisconsin 7s at 103, Minnesota 8s at 105, and Illinois bonds at a little above par. The condition of

banks reporting made the sum total of their resources $11,000,000, the capital stock $4,000,000, the amount of notes in circulation $5,000,000. The profit and loss account was reported at about $12,000, and their surplus at $164,000.

In 1860 the Auditor in his report says: "During the past two years the circulation of the banks of the State was largely increased, owing partially to the advancing business and institutions of the State, but principally to the fact that its known character for security has attained for it a much wider circulation in the adjoining States than it has heretofore had, and I am satisfied that the rigid execution of our banking laws, together with a few amendments, is all that is necessary to make it acceptable to our people." The Auditor's figures in that year (1860) show one hundred and four banks in existence all over the State, with securities in the hands of the Auditor amounting to about fourteen million dollars, and a circulation outstanding of $12,320,000. The bonds deposited were Missouri, Tennessee, Virginia, and Illinois, principally, but there were also many Louisiana, North Carolina, South Carolina, and Georgia bonds. This was the high-water mark of the banking system under the general banking law of 1851. During the years from 1851 to 1861, the defects in the law had been pointed out, and to some extent, certainly, remedied. The principal trouble with the law at first was that it allowed obstacles to be thrown in the way of prompt redemption. Banks were located in out-of-the-way places hard to get at, and the circulating notes, if protest was to be made, had not only to be presented at these out-of-the-way places (there being no provision for central redemption at given points), but must be presented and protested separately. When a demand was made, therefore, for the redemption by a bank of a large quantity of notes, the bank could delay most unreasonably the payment by counting out small change for each one dollar bill that might be presented. But in 1857 an amendatory act, which the Superior Court decided was constitutional without submission to the people, amended the law

and provided that each bank should be located where the notes were dated, and that it should be in some place having at least two hundred inhabitants, and that the bills should be redeemed in legal coin of the United States. As an offset, however, it provided that the securities deposited need not exceed the circulating notes by more than ten per cent, instead of the twenty per cent previously required.

Up to 1860 no serious difficulty had been experienced by the business community of the State with the system that obtained. In 1854 there was a slight commercial panic, and Missouri and Virginia bonds declined from five to seven cents. In 1857 there was a great financial crisis, but the banks of Illinois passed through both of these times comparatively unscathed. A very different state of things concerning bank circulation prevailed than that experienced during the business calamities of 1837. During the nine years before 1860 fourteen banks of issue had passed out of existence, but their bills had been redeemed in every case dollar for dollar except in one, and that paid ninety-seven cents on the dollar. It seemed as though the demonstration of the security of the bill-holder under the law was perfect in peaceful times. But with the year 1861 came another test which they could not stand. The bonds of all of the States deposited with the Auditor to secure the circulation of the banks depreciated, and of course the Southern bonds were rendered comparatively valueless for the time.

On February 14, 1861, the Legislature revised the banking act, requiring that thereafter all the bonds deposited with the Auditor must be bonds of the United States or of the State of Illinois; that when any State bonds should become depreciated for sixty days the Auditor must call upon the bank to make good the deficiency, but allowed six months to the banks to make good their margins. The law further provided that banks might suspend specie payments for six months, provided the notes were amply secured with the Auditor, and that every bank should keep an agent in

Chicago or Springfield, either individually or by associating with other banks to redeem its circulation, and further that all banks must be located in places having at least one thousand inhabitants. The law also made it unlawful for courts to enjoin the Auditor from putting banks into liquidation, and provided penalties for trying to prevent the protest of a bill, or putting into circulation any bills not issued in conformity with the law of the State.

Events marched rapidly in these days, and by the following month the depreciation of the securities lodged with the Auditor was such that the value of the bills became very precarious. The city banks tried to send out the country bills which they received into the country to buy produce; the farmers with equal persistency tried to hurry them back into the city. Chicago brokers made arbitrary lists, frequently upon inaccurate information, discriminating between the bills which were deemed good and those which were deemed bad. Of course these lists varied from day to day, and everybody carried one in his pocket.

Before June, 1861, lists were issued daily by the different railroads designating the banks and notes which they deemed current. Notes were divided into "Illinois preferred" and "Illinois common," of different values, while New York exchange was at a large premium over both.

A well-known banker bought a bank and indorsed with his own hand all its notes as they came to him. An equally well-known editor, whenever he could get possession of one of those notes, printed beneath the indorsement a picture of wildcats quarreling and reissued them. The term "wildcat" came from the location of the banks, which, as before remarked, were frequently at remote and inaccessible points. When the depreciation came the currency gained the further name of "stump-tail." Of course, in this period of annoyance, trial, and vexation, many attacks were made upon the banking system as a whole, and various remedies were proposed in accordance with the economic ideas of the proposer. Some persons thought them-

selves patriotic in making a pledge to take the money at par during the war, but it is not recorded that any one of them kept the pledge when, as soon happened, even before the actual outbreak of hostilities, the currency of the banks which was based upon Southern bonds fell to fifty cents upon the dollar. Efforts which failed were made also to induce the State to guarantee the bills. A very elaborate scheme to establish a system of banking upon a specie basis, entitled "An act providing for the organization of a central bank, to be called the Union Bank of Illinois, with as many branches as might be organized under the charter," was passed by the Legislature in 1861, and submitted to the people at the general election in November. It contained ninety-five sections, and the people rejected it by a large majority,

The commissioners of course called upon the banks to make good their securities deposited with the Auditor, and in consequence between the Auditor's report of December, 1860, and his report in December, 1862, the one hundred and ten banks had dwindled to seventeen, the rest being in process of liquidation, and their circulation had been reduced from about twelve million dollars to five hundred thousand dollars.

The redemption of this circulation of twelve million dollars was effected mainly by the bill-holders voluntarily surrendering their bills for the bonds deposited with the Auditor, for which provision had been made by law, and for which purpose every facility was extended to them. The Auditor, in his report in December, 1862, said that he had delayed selling the securities of the defaulting banks so long as any considerable amount of notes was held by parties who preferred to take the securities. The balance of the securities, he said, were sold, the proceeds realized in coin, and pro-rata dividends declared at rates which, allowing for the premium on coin, makes the average value of the money of suspended banks now outstanding nearly par.

By his report filed December 1, 1864, the Auditor shows twenty-three banks in operation (there having been organized five new ones under the amended act of 1861) and ninety-eight in suspension. The twenty-three banks had about two hundred and fifty thousand dollars' worth of Illinois securities in the hands of the Auditor and a circulation of about two hundred thousand dollars. By this time the national bank system was in full operation, and the law taxing the issues of all other banks finally wholly extinguished such circulation. But of course this was a gradual process, and on the first day of January, 1865, there was still in circulation the issue of Illinois banks to the amount of $132,436, which was secured by the deposit with the Auditor of Illinois six per cent bonds to the amount of $175,000. By a law passed by the Legislature in 1867, evidently because the circulation of the State banks outstanding was insignificant, it was provided that all State banks having securities with the Auditor might file a proper bond for the redemption of their circulation, this bond to be approved by the Governor, Auditor, and Treasurer, and take back their securities. By the same Legislature an act was passed providing that any person or persons uttering or passing any notes or bills, not being a firm or person incorporated by the law with banking powers, should be deemed a common swindler and liable to indictment. It provided also that no more banks should be organized with power to issue bills, and no bank which had not deposited securities with the Auditor should thereafter be allowed to do so. This closes another chapter in the legislation of Illinois in relation to banks.

Some of the State banks which existed in 1863 were converted into national banks. It is a matter of current information rather than of history that the banking system of Illinois, so far as banks of issue are concerned, is now the uniform system of the United States, and governed by the national banking act. It is not a function of this paper to enter into any discussion or any detailed history of the

operation of that act in Illinois or elsewhere, but these figures may be interesting: In 1867 there were in Illinois eighty-two national banks, with a capital of $11,620,000, with deposits amounting to $19,181,114.06, and with an outstanding circulation of $9,485,023. In 1877 there were in Illinois one hundred and forty-four national banks, with a capital of $18,046,000, with deposits amounting to $33,469,-893, and with an outstanding circulation of $9,038,398. In 1887 there were in Illinois one hundred and seventy-eight national banks, with a capital of $29,391,500, with deposits amounting to $83,409,526, and with an outstanding circulation of $5,036,455. In 1891 there were in Illinois two hundred and two national banks, with a capital of $36,376,000, with deposits amounting to $118,119,492, and an outstanding circulation of $5,170,352.

It only remains to advert to the legislation of the State, constitutional and statutory, in relation to banks during the last twenty years, after the banks of issue organized under the banking act of 1851 had practically ceased to exist. There was a constitutional convention in 1862, which proposed a constitution to the people of Illinois which was adopted. In that convention the matter of banks and banking was discussed. Various reports were called for from the Auditor of the State, and in one of them was found a statement of the market value in that year of various State bonds: Tennessee sixes, 42; Illinois, 80; North Carolina, 60; Missouri, 42; Georgia, 67; Ohio, 91; New York, par; United States fives, seventy-nine cents.

The tenor of the debates in the convention of 1862 showed that it was the opinion of the members that the defects of the banking law of 1851, under the existing constitution, had especially been the want of a provision for a sufficient and determinate reserve, one for central redemption and one for official examination. The constitution as proposed provided, however, that no banks with powers of circulation or deposit, or any other banking powers, should thereafter be created by the State, nor any new banks be chartered,

without a vote of the people. As stated, the proposed constitution was rejected. By the Legislature of 1867 many acts were passed incorporating private banks and private institutions, but they were all savings banks, loan and trust companies, not banks of issue. In 1869, by private charter, sixty-nine new banks were incorporated with all ordinary banking powers, except that they were not to issue bills to circulate as money, and besides were incorporated under the name of loan companies. In 1870 there was another constitutional convention, which framed the present constitution of the State, adopted by the people at the following general election. The debates of this convention have been printed in full, and the views of the delegates can therefore be gathered from the pages of the printed volumes which contain them. It seemed to be the general opinion, as voiced by a leading member of the convention, that the securities upon which the bank circulation should rest should be national, because they would always be more easily convertible. He declared, with the practically unanimous assent of the convention, that Illinois had tried the State system to its heart's content, and had suffered intolerably for it, and that from the inception of the State system until the end of it the people had been injured and vexed by its operation; but he declared that some provision should be made for a State system of banks of issue to be laid away as a spare sail or spar for use in meeting any contingency that might occur. Accordingly the following provisions were incorporated into the constitution, and are now the law of the State: "No State bank shall be created, nor shall the State own or be liable for any stock in any corporation or joint-stock company or association for banking purposes now created, or to be hereafter created. No act of the General Assembly authorizing or creating corporations or associations with banking powers, whether of issue, deposit, or discount, nor amendments thereto, shall go into effect, or in any manner be in force, unless the same shall be submitted to a vote of the people at the general election next succeeding

the passage of the same, and be approved by a majority of all the votes cast at such election for or against such law. Every stockholder in a banking corporation or institution shall be individually responsible and liable to its creditors, over and above the amount of stock by him or her held, to an amount equal to his or her respective shares so held for all its liabilities accruing while he or she remains such stockholder. The suspension of specie payments by banking institutions, on their circulation created by the laws of this State, shall never be permitted or sanctioned. Every banking association now or which may hereafter be organized under the laws of this State shall make and publish a full and accurate quarterly statement of its affairs (which shall be certified to under oath by one or more of its officers), as may be provided by law.

If a banking law shall be enacted, it shall provide for the registry and countersigning by an officer of State of all bills or paper credit designed to circulate as money, and require security to the full amount thereof to be deposited with the State Treasurer in United States or Illinois State stocks, to be rated at ten per cent below their par value; and in case of a depreciation of said stocks to the amount of ten per cent below par, the bank or banks owning said stocks shall be required to make up said deficiency by depositing additional stocks. And said law shall also provide for the recording of the names of all stockholders in such corporations, the amount of stock held by each, the time of any transfer thereof, and to whom such transfer is made."

In 1879 the Legislature of Illinois passed an act providing that if any banker received from anybody any money, or other valuable thing transferable by delivery for deposit, when the bank was insolvent he should be deemed guilty of embezzlement, and that the failure of the bank thirty days after taking the deposit should be *prima facie* evidence of intention to defraud.

In May, 1887, an act was passed by the Legislature providing for the organization of savings banks.

On June 16, 1887, a law was passed, to be submitted to the people at the next election (when it was adopted), entitled "An act providing for a State bank system." This act provided for the organization of banks for the purposes of discount and deposit, and to buy and sell exchange, and do a general banking business, but these banks should have no power to issue bills to circulate as money. They might loan money on personal and real security and accept and execute trusts. The method of providing for organization is much the same as that of other corporations in this State. The act provided, however, that the shareholders of such banks should be held individually responsible, equally and ratably, and not one for the other, for all debts of the bank to the extent of their stock at par, in addition to the amount invested in the shares, which was a liability not imposed upon the shareholders of corporations doing other kinds of business. Provision was made in the act for the examination of the affairs of banks established under its provisions by the Auditor whenever he deemed it necessary, and at least once a year. It also provided that banks might not own real estate, except for the purposes of their business and to secure debts, and might not carry it for over five years after getting the title to the same, with the exception of banking houses. Another provision is that no person or firm is to be allowed to borrow more than a one-tenth part of the amount of the capital of the association actually paid in, but the discount of bills of exchange against existing values and of commercial business paper is not to be considered as money borrowed. The associations to be organized in places of not more than five thousand inhabitants must have $25,000 capital stock at least, and in places larger must have at least $50,000. Should the capital of any bank organized under the act become impaired, the Auditor is to give notice to the officers to have the impairment made good by the assessment of the stockholders or the reduction of the capital stock, and upon failure of the bank to make such assessment or reduction, the Auditor is

to sue the stockholders and compel the payment to the capital of the bank of the amount by which it has become impaired, and may also, if he sees fit, wind up the affairs of the bank by proceedings in chancery.

In 1889 amendments were made to this act of 1887 changing the liability of the stockholders, who became under the amendment individually responsible and liable to an additional and equal amount with their stock, instead of ratably and equally, and not one for the other, and requiring that in cities of over ten thousand inhabitants banks should have at least one hundred thousand dollars capital, and in those of over fifty thousand inhabitants at least two hundred thousand dollars. This act was submitted also to the people of the State and by them adopted. It will be seen, therefore, that some of the provisions of the State banking law of Illinois are counterparts of similar provisions in the national banking act. This closes the history of the legislation of Illinois in relation to banks.

It has not been part of my purpose in complying with the request of the Governor of Illinois by preparing this historical sketch to argue for or against any of the theories or experiments in banking which have at different times formed the policy of the State. As to many of the matters herein set forth, the teaching is so plain that he who runs may read; as to others, it is to be supposed that for many years to come they will be regarded in varying and different lights by people of equal intelligence and sincerity according to their political and economic views.

BANKING AND RESOURCES OF INDIANA.

By Deforest L. Skinner.

I HAVE the honor of representing a great State in this Congress. While it is the custom in some quarters to berate Indiana, there is not a Hoosier, no matter where he lives or whatever his condition may be, who does not feel a commendable pride in the status of his commonwealth in the noble sisterhood of States. Bounded north and south by the great lake and river, and embracing within its limits an agricultural area of incomparable fertility, possessing vast mineral wealth, the development of which is in its infancy, it contains every natural resource necessary to the prosperity and happiness of its people. Its railway facilities are without parallel, and its commercial, manufacturing, and financial concerns in character and quality are second to none. The rich capabilities of its soil are such that every variety of product possible in this latitude is readily produced, and not elsewhere is the industry of the husbandman better rewarded with bountiful harvests and profitable markets; yet we sometimes hear that Indiana is behind her neighbors; that she is not as progressive as she ought to be; that in the race of modern life she is not running at a speed to warrant the expectation that she will not be outdistanced by her mates. Let no rival take heart because of this appearance. Right under it lies a strength in reserve which will in due time illustrate the truth of the assertion that a slow growth is a strong growth and will endure.

The citizen of Indiana may refer with pride to the ability with which the State's affairs have been administered. No matter which party has possessed the power (and it is a wise

habit of our voters to rotate that control), there has never been an act to cause the blush of shame to mantle the cheek of the most exacting. Our people are large-hearted, as is shown in the liberal provision made for the public benevolences. Our preparations in this regard are equal to, if not in advance of, the most progressive of the States. In education — and I am speaking as an adopted son may speak of his foster-parent — our motto is "Excelsior." The school-houses dot the landscape and colleges fleck the land. Our common-school fund reaches millions, and is constantly increasing. The diminishment of the principal is forbidden by the most stringent acts.

In the field of finance, in the enactment of wise laws for the government of banking institutions, we afford a model which might be beneficially followed by other sovereignties. These laws provide a system of State banking possessing many of the features of the national bank act, and which, in my opinion, is much better adapted to country banking than the national system. The security which a State institution may take is greater than that allowed under the national law, and this superiority in privilege largely accounts for the fact that the State system has had less failures than the national. It has been said, and I believe truthfully, that previous to the 10th of May last there had not been a failure of a bank chartered under our present laws; and the two or three failing since that date were so compelled by being caught in the meshes of a national institution at Chicago. These facts speak volumes for our financial laws, and they bring prominently into view the care with which the interests of the people have been guarded by the wisdom of our legislative assemblies. It is characteristic of our people to wrangle and fiercely engage in the political struggles as they periodically occur. The old campaign in Indiana has achieved a national reputation, for it was a contest between giants equally armored and equipped for the fray, at which the whole country looked on with bated breath. In the peace following the outcome, the suc-

cessful side had only for its highest ambition the prosperity of the State, hence our wise and protective laws, none of which are an obstacle to any man who is striving to improve his condition.

Indiana has had a surfeit of the jetsam and flotsam of financial theory, yet underlying and permeating all exists the purpose of having a circulating medium that will not cheat the laborer or deceive the too confiding. These are the classes, and "not the rich," that will suffer most from a depreciated money. The people of Indiana do not believe that the country ought to be ruined to enrich a few silver bullion holders.

BANKING AND RESOURCES OF KANSAS.

By M. W. Levy of Wichita.

THE constitution of Kansas provides that no bank shall be established except under the general banking laws; that all enactments shall require as security for redemption of circulating notes deposits with the Auditor of the State of interest-bearing bonds of the State or of the United States Government, valued at cash rates of the New York Stock Exchange, to an amount equal to the sum of circulating notes authorized by the bank to be issued; also a cash deposit in the bank vaults of ten per cent of the amount of circulating notes, and that the State Auditor shall register and countersign no more circulating bills than equals the value of the bonds when deposited. The Auditor shall require additional security for the amount of circulation whenever any such bonds shall depreciate in value, to the end that the security shall be unimpaired. All circulating notes shall be redeemable in money of the United States. Holders of notes shall be entitled to priority of payment in the event of the insolvency of the bank. The State shall never be a stockholder. No banking institution shall issue notes of less par value than one dollar.

Notwithstanding the above provisions, no banking law authorizing the issuing of State bank notes shall be enforced or take effect until such law shall have been submitted to a vote of the electors of the State at a general election, and shall have been adopted by a majority of all votes cast at such election.

The former banking act of Kansas was in reality a loose and crude statute, containing no provisions relative to bank

examination whatsoever, only requiring a semi-annual statement in July and January on some date selected by the institution which was most favorable to the concern. The penalty for failure to make a statement was a fine of five hundred dollars, to be recovered by indictment; and while this was not an exorbitant sum for a bank to pay for the privilege of disregarding all laws for a period of one six months to another, yet, as only some portions of Kansas have a grand jury, no indictment could be found in seventy-five per cent of the counties, no matter what condition the bank was in.

The rate of interest once dominant has assumed such a descending scale as to require nearly an entire year to equal its former monthly dimensions. Illustrating the conditions that once prevailed, I beg permission to relate a primordial banking incident of frequent occurrence in the halcyon period of the sou' wes', when Texas cattle, buffalo, and antelope were commerce, homesteads not good collateral, and eleven years' credit at eleven dollars per acre the slogan that induced immigration on the Santa Fé land grant.

An old man whose head and beard were as white as angels' wings, his voice seraphic, sweet, and low, opened a banking house. For the purpose of enabling settlers on the Osage Indian lands to acquire title to their homes, he offered his services as mediator between the Shylocks of the East and the needy pre-emptor of the new West. His rates constituted a mere nominal commission of twenty per cent on the loans secured and five per cent interest on three to five years' time. Once upon a time, in the early month of May, a pilgrim but recently located called on the banker to secure three hundred dollars needed to prove up his claim and purchase some domestic articles. The twenty per cent commission he viewed as heaven-kissing in its sublime alpine altitude, but the interest being extremely low in comparison, he accepted the offer, gave a description of the premises, securing the loan, and hied himself in

search of his good wife to sign with him the mortgage being prepared. Before signing he called the affable banker's attention to an evident error in computing his interest. Being assured that figures never lied, he discerned that the commission had reduced the amount due him to two hundred and forty dollars. For this sum he gave his note for three hundred dollars as principal, and the accumulation of interest in three years aggregated five hundred and forty dollars more. The expressed astonishment of the borrower met with the suave reply: "My dear sir, you live on the principal, and I must endeavor to eke out my existence on the interest and nominal commission. You will recognize in me in later years your greatest benefactor and friend; you will till the soil, sow and reap; with tireless energy you will pursue your avocation, and in due time will follow my profession. If there be any latent force in your character, this day's work will develop it, for if any incentive will impel a man to labor, it will be when he has a five per cent per month mortgage hanging over him."

The present banking system of Kansas is controlled by wholesome statutory enactments adopted March 21, 1891. As far as consistent, the banking acts of the State of New York and the rules regulating national banks have been adopted. Private institutions receiving deposits payable at sight, or at some future time, as well as regularly chartered State banks, come under the supervision of a commissioner appointed by the Governor for a term of four years. Five persons may organize themselves into a banking association, and this number, and not exceeding thirteen, may constitute the Board of Directors. The minimum capital required is five thousand dollars. Business may be commenced when fifty per cent is paid in, balance in monthly installments of ten per cent thereafter. Only fifteen per cent of the capital and surplus can be loaned to an individual or corporation. Twenty per cent of the deposits must at all times be held in reserve, one-half of which may be due from some solvent

bank. Quarterly detailed statements are required to be published, at the call of the commissioner, showing the condition of all banks at a certain period selected by him. False returns incur a penalty of a fine of one thousand dollars and one year in the county jail.

Annual examinations are required to be made by the commissioner or deputy. Until the surplus has reached fifty per cent of the capital, one-tenth of the undivided profits at each dividend-paying period must be set aside to that account. The penalty for receiving deposits when a bank is in a failing condition is a fine of either five thousand dollars or five years in the penitentiary, or both. The shareholders of every bank organized under this law are additionally liable for the amount of stock held by them, and no more.

An instrument of writing or open account bearing no specific rate of interest is computed at six per cent, and the maximum contract rate is ten per cent per annum. The penalty for usury is the forfeiture of double the amount of such excess, provided suit is instituted for its recovery within ninety days after maturity of instrument tainted with usury.

The prevailing rate on commercial paper is eight to ten per cent. The greatest single banking interest, requiring and absorbing a vast amount of loanable funds, is that of cattle-feeding. About September 1st the owner of a corn crop arranges with his local banker for money to purchase feeders raised on the grazing lands of Western Kansas or the Indian Territory. The stock so purchased is usually kept and fed for six months. A chattel mortgage pledges the return of money advanced, and cumulative security is given by covering with the same instrument the corn and hogs raised and owned by the debtor. A consensus of opinion among bankers indicates that loans of this character are the safest and most secure, and that on this class of security not one cent has ever been lost. A one thousand pound steer, worth, for example, three cents a pound in September, has increased three hundred pounds by March, which,

together with the original weight, has become worth at the end of the feeding period four and one-half to five cents per pound, additionally fattening two hogs for each steer without cost. Should such paper be offered for rediscount to my brother bankers in the money-centers of the East, I unhesitatingly and unequivocally recommend it as gilt-edged.

Another class of loans which have in recent years fallen into disrepute are real estate mortgages on five years' time on city and farm property. Many of these have, in the past, been made by irresponsible parties whose sole object was to secure the commission paid by the borrower. Loans, when judiciously made by legitimate bankers, in their immediate vicinity, who primarily invest their own means and subsequently sell them, are good. These ordinarily bear six per cent, interest payable semi-annually. The political agitation during the past three years, together with the enactment of a greatly misunderstood and abused stay law, has impelled holders of many such loans to call them in at maturity, and unquestionably thirty millions of dollars have been liquidated in the past two years.

The stay or redemption law is a reasonable and conservative measure, similar to such as have been in vogue for many years in older States. Under pre-existing laws, six months' statutory time was granted after judgment was rendered before issuance of execution to sell mortgaged realty. This, together with thirty days' advertisements and required confirmation of sale in open court, necessitated about ten months' time to obtain judicial title. Under the new law all these requirements are abolished, and in lieu thereof the debtor is given six months after sale to redeem in case of unoccupied property and eighteen months as to a homestead. Any waste committed by the occupant during the redemption period entitles the holder of a certificate of purchase to the appointment of a receiver, who takes charge and preserves the property. Under this law, commission on sales by the sheriff and numerous minor fees are abolished, materially reducing cost of foreclosure.

Nine Western and two New England States have similar laws. Tennessee has a period of two years and Rhode Island, in some cases, three years of redemption.

The one hundred and sixty-three banks under State supervision approximate the same volume of business as the national banks. The most comprehensive index of the financial condition of the State may be gleaned from the abstract of reports made to the Comptroller of the Currency showing the condition of the national banks in Kansas at the close of business on Thursday, May 4, 1893:

RESOURCES.

Loans and discounts		$24,925,534 46
Overdrafts		462,258 54
United States bonds to secure circulation		2,830,250 00
United States bonds to secure deposits		310,000 00
United States bonds on hand		16,700 00
Stocks, securities, etc.		863,538 31
Due from approved reserve agents		4,757,258 28
Due from other national banks		964,454 21
Due from State banks and bankers		386,611 96
Banking house, furniture, and fixtures		1,562,498 87
Other real estate and mortgages owned		777,030 26
Current expenses and taxes paid		278,524 58
Premium on United States bonds		233,817 26
Checks and other cash items		573,479 69
Exchanges for clearing-house		45,336 94
Bills of other national banks		582,671 00
Fractional paper currency, nickels, cents		18,541 78
SPECIE, VIZ.:		
Gold coin	$1,409,180 33	
Gold Treasury certificates	52,300 00	
Silver dollars	172,974 00	
Silver Treasury certificates	127,310 00	
Silver fractional coin	81,435 06	
		1,843,199 39
Legal tender notes		925,154 00
Five per cent redemption fund		122,398 75
Due from United States Treasury		18,270 80
		$42,497,529 08

LIABILITIES.

Capital stock paid in	$12,092,100 00
Surplus fund	1,729,261 46

Undivided profits		$987,008 73
National bank notes issued	$2,547,195 00	
Less amount on hand	18,052 50	
Amount outstanding		2,529,142 50
Dividends unpaid		45,568 90
Individual deposits		22,588,540 83
United States deposits		47,040 10
Deposits of United States disbursing officers		238,957 01
Due to other national banks		894,974 60
Due to State banks and bankers		678,471 18
Notes and bills rediscounted		385,393 90
Bills payable		265,750 37
Liabilities other than those above stated		15,319 50
Reserve held, 33.97 per cent.		
		$42,497,529 08

RESOURCES AND FINANCES.

That rectangle of the earth's surface now constituting the State of Kansas has been since the Louisiana purchase, in 1803, a focal point, geographically, historically, and politically. Equi-distant from the Gulf to the British Possessions at the period of transfer from France to the United States, the star of empire, once traversing the illimitable space of that unknown region vaguely described as the Great American Desert, reached its zenith and stood still over the Sunflower State. The mutations and evolutions of a century and the additional acquired territory have failed to change the pivotal axis around which revolve the constellation of States and form the nebula of that terrestrial luminary whose discovery is to-day commemorated and celebrated by the nations of the earth.

From 1854, when organized into a Territory, until 1861, when endowed with all the rights and prerogatives of statehood, Kansas was a tempest-tossed derelict on the political sea of contentious factions. The abolition Scylla and proslavery Charybdis have left the prenatal imprint of the fierce struggles for supremacy on her character and disposition. Eccentric in her methods, advocating a radical theory to-day, to be discarded for one more astonishing and aggres-

sive on the morrow, her individuality is born of her necessities and environments. With the largest Republican assets of any State in the Union, comprising a majority of 82,000 in 1888, in the brief interval between that date and 1892, having exhausted all her capital, surplus, and undivided profits, that political organization went into involuntary liquidation, and its furniture and fixtures, according to custom, fell into the hands of a receiver. The State that gained eternal fame by sending forth one of her sons to destroy slavery, and whose soul has for thirty years been on an incessant march, has finally been given a greatly required rest. The commonwealth that gave John Brown to the nation, sheltering within her borders more ex-Union soldiers than any other State, has added corroborative evidence of the independence of her sons by honoring an ex-Confederate with a seat in Congress, defeating a brave and valiant opponent who shed his blood in defense of the stars and stripes. Resourceful in expedients, she is contented only when her idiosyncrasies and startling departure from conventional systems render her the cynosure of her older and more sedate sisters. Her birthright having been founded on tribulation, she has emblazoned on her escutcheon and adopted for her motto, "*Ad Astra per Aspera*," symbolizing her manifest determination to surmount any and all obstacles. With a population of less than one hundred thousand at the date of her admission to statehood, she has now within her domain one and one-half millions of as happy, prosperous, intelligent, patriotic, indomitable, courageous, and pugnacious mortals as can be found in the universe.

From the east to the west line of the State, a distance of four hundred miles, the elevation is but three thousand feet, with a mean annual temperature of fifty-three degrees. The thermometer under the strongest bull movement rarely reaches par, while it seldom gets *below* the point of value attained by the stock of a bank when the perfunctory announcement is made by the press that its depositors will be paid in full. Situated between the thirty-seventh and

fortieth parallels, about the latitude of the celebrated Shenandoah Valley, its proximity to the mountain air of Colorado gives this region a most delightful, balmy, invigorating, and yet a wonderfully fruitful and attractive climate. Malaria, sunstrokes, and pulmonary troubles are not indigenous to the soil. The summers are cool, the air crisp and invigorating; refreshing sleep enables the weary plowman, wending his way homeward at eventide, to arise with the lark and resume, reanimated and strengthened, his battle with nature—and the silver question. The average death-rate the past year was six in a thousand, and thirty-four per cent of this number died under the age of one year and twelve per cent of decrepit age, the bacillus of the latter disease having been introduced from older inhabited regions.

The position of Kansas as one of the leading agricultural States is now so well established as to need no proof. For the past ten years she has been found keeping step in the procession of the four leading wheat and corn producing States, and not infrequently assuming the leadership of the cavalcade, her last year's crop of the former being forty per cent greater than that ever produced in any other commonwealth in one year. With a forty-inch annual rainfall, to quote the language of the Kansas farmer, he "can raise a good crop provided he has rain or a cessation of the same in a week or ten days." A residence of a fifth of a century in that community enables me to make the positive assertion, without fear of successful contradiction, that this period of grace is glaringly ambiguous, and may be reasonably extended for sixty days, discount off, without protest or dishonor.

The soil is universally of a black, sandy loam, from two to six feet deep, and, in conformity to the statutory enactments governing its inhabitants, can abstain for longer intervals of time without moistening fluid, or absorb a larger quantity of the same without injurious effects, than any other agricultural region in the world. One of the peculiarities of this soil is the productiveness of land located

adjacent to the innumerable streams, which, by sub-irrigation, the percolation of the water through the sandy soil, enables the husbandman at the very driest period to obtain good crops. The top twelve inches of Kansas soil have for the past twenty years produced more wealth than the aggregate value of all the precious metals raised from the bowels of the earth in all the States and Territories lying west of her in the same epoch.

During this period the railroad mileage has increased fifteen hundred to nine thousand miles, her churches from ninety-seven to three thousand, her school-houses from one hundred and fifty-four to one for every mile of railroad. After expending forty million dollars for educational purposes, this amount representing one year's value of her manufacturing interests, her school property has increased from fifty thousand dollars to ten million dollars. The art preservative has increased from thirty-six newspapers in 1873 to nine hundred at the present time. The value of the farm lands from twelve million dollars to six hundred million dollars; her live stock from three million dollars to one hundred and fifteen million dollars.

During the Centennial year Kansas barely sowed and harvested sufficient wheat to supply home consumption, and three years later her production of this cereal exceeded that of any other State in America. Two hundred and seventy-five million bushels of corn were placed to the credit of her soil the same year. Her last year's yield of seventy-five million bushels of wheat exceeded that of twenty other States combined, and constitutes one-sixth of the entire production of the United States. When converted into flour it will maintain one-fourth of the entire population of America, and the value of her two staples in the past year equals the amount of gold in the United States Treasury, besides leaving a sufficient sum of pocket-money to witness all the pageantry of Midway Plaisance and liquidate a few days' entertainment in this magnificent city at this interesting period.

The result of this immense corn crop may be most readily grasped by a single day's sale in the Kansas City Stock Yards of 12,896 head of cattle, 10,486 head of sheep, and 26,804 head of hogs. The total value of stock handled in these yards and those of Wichita and Hutchinson the past year will aggregate ninety millions of dollars, eighty-three per cent of them having been raised and fattened on Kansas soil. The fifteen million acres of improved lands of five years ago have been increased to eighteen and one-half millions; the wheat area, from one million acres in 1888 to four and a quarter million in 1893. The average value of these lands will not exceed ten dollars per acre. An experimental crop for ten years with Zimmerman variety of wheat has yielded an average of twenty-eight and three-fourths bushels per acre, the value of the same sixty cents, and all cost of producing and marketing twenty-two cents, leaving an average annual profit of seven dollars and eighty-eight cents per acre.

The attendance in her public schools is twenty-eight per cent of her population, leading all her sister States in the diffusion of popular education, while she has a smaller percentage of illiteracy and crime that any organized community on the face of the globe.

She has the largest zinc smelters in the world, located in one corner of the State, where she has sufficient coal to furnish fuel for all of North America; and her output of salt is limited only by the demand, six counties having veins of this commodity from fifty to three hundred feet thick, sufficient to keep fresh all the pork to be packed in this city from the present date until we celebrate a second quadrennial of the discovery of America, besides keeping green the memory of the numerous lambs who have been led to slaughter in that magnificent financial crypt, the Board of Trade rooms. The mineral product in 1892, consisting of lead, zinc, coal, building-stone, salt, plaster, cement, oils, and natural gas, aggregated a fraction less than ten million dollars in value. The uncultivated prairie, constituting two-

thirds of the State, produces an annual hay crop of seventy million tons, of the value of three hundred million dollars, one-half of which goes to waste.

With two-fifths of her area planted in wheat, the product would furnish all the bread, cake, and even all the pie, used in the United States. A cloud in the clear sky sends the bears to their den, and a rain reduces the expense of every breakfast-table in the land. Turning her attention to corn, she occasionally produces such immense crops that this commodity comes in competition with coal for calorific purposes. There is not one drop of moonshine about this statement or its subject, and yet the fatalities resulting from snake-bites are no greater in Kansas than in the blue-grass region.

Corresponding with the increase of cultivated soil, the value of farm products has increased from two hundred and sixty-eight millions in 1885–86 to three hundred and thirty-five millions in 1891–92. Each year brings forth evidence of the marvelous adaptability of her soil. The latest success is the cultivation of alfalfa, which produces four crops of hay in a season, or one of seed and two of hay. For horses, sheep, cattle, and hogs it is of superior nutritious quality; the seed fetches from three to four dollars per bushel, and the yield seven bushels per acre, sufficient hay-seed to supply the Agricultural Bureau at Washington, or the dupes of bunco steerers, who are invariably the nephews of the local banker in proximity to the home of the victim.

Kansas raises more chickens, that lay more eggs, and have more preachers to dispose of them than any other State proportionately inhabited.

No human government was ever so perfect, no human foresight, however strongly reinforced by experience, has been equal to averting such reactionary results as come of eras of wild speculation such as swept like a hurricane over the State of Kansas a few years ago; yet, on the other hand, no frown of fortune or of political discontent seems even for a moment to have retarded the progress of a State the labors of whose people have been so abundantly rewarded

as have those of the people of this territory of so many varied and multiplied resources. The loyalty of her sons and daughters, if not proverbial, is at least remarkable, in which fact must be found the only excuse for my closing sentiments. As has been said by our most distinguished living citizen, "Once a Kansan, always a Kansan." Her peripatetic investor may move, he may roam, he may locate on the banks of the Ganges or under the shadow of the Pyramids, on Greenland's icy mountains, or even in New Jersey; but for him who has once felt the spell of the Jayhawker's energetic life, that is seemingly inspired of open days of unceasing sunshine no less than by the restless breezes between mountains and seas that eternally sweep athwart her boundless reaches, for such a one to permanently locate, to live and have his being elsewhere, is impossible. As is the Sahara to the wandering son of Hagar, the trackless sea to the life-long sailor, so to the devotees of the realm of the sunflower is the unending green of his illimitable prairies. Born in conflict, nurtured through affliction, it is still the pivotal State that links the East and the West, the North with the South; still the unique commonwealth whose progressive population are equaled only in their intellectual energy by their unwavering faith in themselves as being equal to any emergency and to all occasions. She is not alone central, but midway, not only midway, but intermediate, midway between ocean and ocean, of lakes and gulfs, but intermediate in altitude and in climate equable and temperate.

There are more days in Kansas to the year than elsewhere, days of undimmed sun, days as pregnant of impulses and of animated hopes as her illimitable horizon is full of promise and plenitude; her annals are a historic trophy no less than a political benefaction; her struggles and triumphs a tribute to heroism no less than a heritage and an inspiration. Her name is a synonym of battle hymns and pæans of victory. Climate, soil, land, and civilization constituting a homogeneity that must be experienced to be compre-

hended, with an embryonic city here, a bright town there, scattered everywhere fields, orchards, herds, and homes as yet but mere clustering dots upon an ever-expanding landscape, and all united in a community of interests by a greater number of miles of railroad than are boasted by any State in the Union save one, and who can estimate her future or coming power? Therefore, no more certain is the past of Kansas a history and her future a prophecy than is her present a verity. Differing in every essential from the States east of the Missouri River, and having fewer characteristics in common with the trans-Mississippi States and Territories, Oklahoma, her sister domain and foster-child, excepted.

Then with perpetual blue above, unending green beneath, with countless thousands of future homesteads to be constituted within her metes and bounds, of warm and generous soils, where possibilities are but half comprehended as they roll in generous swells away ever and beyond the limits of vision, intercepted by the tree-fringed courses of innumerable streams, all circled and spanned by the steel-glistening tracks of commerce, lie the teeming and virgin prairies of Kansas, almost untouched as yet by the economic efforts and subduing forces of man.

BANKING AND RESOURCES OF KENTUCKY.

By John H. Leathers of Louisville.

On the first day of June, 1792, just a year more than a century ago, the sisterhood of States of the American Union was enriched by the admission of one of the fairest and most beautiful of its number — Kentucky. The admission of Kentucky made the fifteenth star in the bright galaxy of stars that bedecked our nation's flag. She has assisted in welcoming twenty-nine others into the charmed circle, and she reigns now as she reigned when admitted, an acknowledged queen among her peers, crowned with a past full of heroic deeds, and, yet in her youth, she is inspired to a more illustrious future career.

Admitted into the Union a century ago, with a population of less than a hundred thousand, she is to-day a State of near two million inhabitants. She ranks tenth in population, thirty-first in size, and thirteenth in wealth. A distinguished speaker once said of Kentucky, that if the scientist or chemist could produce by art those climatic influences that would best promote animal and vegetable life, it would result in those conditions which a beneficent Creator has already bestowed upon Kentucky.

Where on all this habitable globe does the sun shine so brightly as in the "Old Kentucky Home"? Where does the grass grow as green or the birds sing as sweetly as amid the flowers and the deep foliage of the once "dark and bloody ground"? Where can landscape of such enchanting beauty or soil of such surpassing fertility be found, or climate of such delightful perfection, as within the borders of that grand old commonwealth? Where else can you find the paragon of female loveliness and beauty or a higher

type of the gallant and patriotic American than the offspring of that genial clime? What country can boast of such splendid specimens of the purely bred and noble horse as are reared and nourished upon the rich "blue grass" that flourishes best upon Kentucky's soil? And where in all the world can you find that same genuine, open-hearted hospitality, where the "latch-string" now hangs on the outside of the more pretentious homes, as it did on the humble cabin-doors of Boone and his companions in the early days of Kentucky's history? No people are more deeply inspired by a patriotic love of country; no people are more ready to brave dangers, to make all sacrifices, or to lay down their lives more willingly for their country's cause than the true-born Kentuckian. On every battle-field, in every war, by unsurpassed courage the deeds and fame of Kentucky's sons form a conspicuous part of our common country's history.

The State was born and christened in a "baptism of blood"; our forefathers, enduring all hardships and confronting all dangers, purchased with their lives this beautiful land we inherit, and they have transmitted to their descendants that love of country which made their names immortal, and they have left to us the example of their noble lives, sanctified by the highest courage mankind has ever known.

Kentucky occupied a most trying position during the Civil War; bound to her by ties of blood and kindred, it was but natural that thousands of her people should sympathize with the South, and that scores of the truest and best of her sons should enlist in her cause and lay down their lives in her defense. So also many of her bravest and truest sons espoused the cause of the Union, and their bones lie scattered on every battle-field. It was no unusual thing for Kentucky to find friend opposing friend and brother facing brother in the deadly strife, and the records of the Civil War show that the highest type of soldier produced in that conflict came from Kentucky.

When peace once again spread her gentle wings over our bleeding country, the gallant and brave Kentuckian on the victor's side was the first to stretch out his hand to his Southern brother across "the bloody chasm." By prompt legislative enactment all were rehabilitated with political equality, and the brave and generous Kentuckian who fought for the Union, both by his influence and his voice, was the first to extend the same blessings to his brother of the "Lost Cause" that he himself enjoyed. And from that day to this the war in Kentucky has ceased, and we are now one happy people, brothers in fact as well as in name, all inspired alike by love of country, and glorying alike in the blessings we enjoy from being citizens of the fairest and greatest country on earth. It is of this magnificent State, her resources and finances, I am permitted this day to speak.

The first bank organized in Kentucky was in the year 1806, under the title of the "Bank of Kentucky"; it continued in existence until the termination of its charter. The present Bank of Kentucky was chartered in 1834, and has continued uninterruptedly in business ever since, undisturbed by the calamities of the Civil War, unaffected by the vicissitudes of fortune or the various financial storms that have swept over the country during all the intervening years; and she ranks to-day as she always stood, a tower of strength and model of conservatism, solid as the rock of Gibraltar, and as sound as the Bank of England.

The Bank of Louisville was chartered in 1833, and the Northern Bank of Kentucky in 1835. All of these old institutions, still holding fast to many of the old ideas and straight-laced methods of banking of the era in which they were organized, have justly earned the highest confidence and respect of all Kentuckians, reflecting honor upon the State that gave them existence, and dignifying the system of banking they represent. The State banking system in Kentucky largely predominates over the national system, and it is due in a great measure to the influence and

example exerted by these venerable and time-honored institutions.

The banking system of Kentucky does not differ from that which prevails throughout the other States of the Union, State banks, however, being largely in excess of nationals. In this respect Kentucky seems to have followed the example of her old mother, Virginia, which has always most favored the State system.

The banking capital of Kentucky, national and State, including private banks and trust companies, at the close of the year 1892, was about fifty million dollars, the largest of any State south of the Ohio River; Tennessee had about eighteen million, a little more than one-third of that of Kentucky; Georgia next, with fourteen million; Louisiana next, with about eleven million, and Florida, the smallest, with about two and a half million. It is a little singular that in all the Southern States the capital employed is larger in national banks than in State banks, with the exception of old Virginia and Kentucky.

The banking capital is divided in Kentucky as follows: State banks, twenty-six million dollars; national banks, twenty million; savings banks and trust companies, four million; making an aggregate of about fifty million dollars. The deposits of all these institutions aggregate a sum equal to about sixty million dollars,* and is divided, approximately, as follows: Deposits of national banks, twenty-seven million dollars; deposits of State banks, thirty-one million five hundred thousand dollars. Private banks, savings banks, and trust companies have made no report to the Comptroller, therefore the correct figures can not be given, but it is fair to estimate that the deposits of these institutions would be sufficient to make the estimate of sixty million dollars a fair and correct one. When it is called to mind that in the twenty-seven million dollars deposits of national banks the United States deposits are included, it is an extremely handsome showing for the State

* See Comptroller's report, Vol. I, 1892.

banking system. The two systems, however, work together in Kentucky with the utmost harmony, and the representatives of the State banks, while giving hearty allegiance to their own system, as heartily unite in indorsing and affirming that the national banking system is the best and wisest system of banking the world has ever known; and whatever may be the future of banking in this country, the banks of both national and State systems in Kentucky will stand together as one, united in a plea for a sound currency and an honest dollar, and for that which will be safest and best for all the people, and best maintain the honor and credit of our country. While the deposits of banks in Kentucky are not as large in proportion to the capital invested as in some other States, she makes a highly creditable showing. We have seventy-two national banks and one hundred and sixty-two State banks in Kentucky. We rank as the fifth State in the Union in number of State banks, fourth in the Union as to capital invested in State banks, and the sixth State in the Union as to deposits in State banks.

Kentucky is enjoying an era of great prosperity, new banks are being organized in different parts of the commonwealth, and others are in contemplation, so that a steady and solid growth in her financial institutions, commensurate with the growth and development of our State, will mark its future history if the policy of the law-making powers will be to foster and encourage them rather than to tax them to death and turn capital in other directions. In the matter of taxation on banking capital, Kentucky has been fairly and liberally taxed in the past; but the future is not so promising. The tendency of legislation and of the times in that State, as it seems to be everywhere else, is for excessive, and unreasonable, and burdensome taxation upon monetary institutions. The fine-spun theory of the law-making powers, that "taxation should be equal on all classes of property," is beautiful to contemplate; but when a bank pays an assessment of one hundred dollars on every one

hundred dollars of its bills receivable, and the agriculturist pays a thirty dollar assessment on a one hundred dollar acre of rich blue-grass land, the glaring inequalities of the position need no embellishment or further comment. This theory of taxation, if persisted in, can only result in forcing capital to seek other channels for a fair remuneration upon its investment, and harm to the commercial interests and material welfare of the State will inevitably follow.

As to the splendid resources, developed and undeveloped, time and space would forbid more than a mere allusion in this paper. Perhaps Kentucky is best known to the world by the beauty and magnificence of her blooded and well-trained horses, that set the pace for all others to follow. They have achieved fame upon every well-fought field. The superiority of her cattle and sheep is recognized throughout the world. Kentucky as a stock-raising State stands without a rival in America, and is the equal of any country on the face of the globe. Vast sums of money annually are brought into the State as a tribute to the unequaled quality and character of her stock, and wherever you find a horse that makes a record either as a racer or a trotter, you may, nine times in ten, trace his ancestry, if not his birthplace, back to "Old Kentucky." It is difficult to get even a close approximation of the value of thoroughbred horses that are sold annually from Kentucky, as most of the thoroughbreds, and at least one-half of the trotters, and about thirty per cent of the saddle-horses raised in Kentucky are sold in Chicago, New York, and other cities, and not sold in Kentucky for shipment; but a fair estimate of the sale for 1892 would aggregate a sum not less than three million dollars.

Kentucky is the greatest tobacco-producing State in the Union. The tobacco crops of the United States have for many years fluctuated between four hundred and seventy-five million and six hundred million pounds — ten to twelve per cent of which is of the cigar or seed-leaf type, and eighty-eight to ninety per cent of the varieties devoted to

the manufacture of chewing and smoking goods and to export. Of the whole crop about seventy per cent is produced west of the Alleghany Mountains, and about fifty-five per cent of the entire tobacco product of the United States, including all types and varieties, is grown in the State of Kentucky, thus placing her not only in the front rank as a tobacco-producing State, but as literally distancing the field of competitors.

The average annual tobacco product of Kentucky may be given at about two hundred thousand hogsheads, the form in which it is always marketed. No other State produces such a variety of tobacco as Kentucky. Of the popular modern type designated Burley, which largely constitutes the fillers for American plug, approximately ninety-five per cent is of Kentucky growth, thus practically constituting a monopoly of that variety of the weed which is the favorite for home consumption. The State is also a large and conspicuous grower of those rich, heavy varieties which are exported to Italy, France, and Spain, under the general head of "regie types"; and Kentucky also furnishes the great bulk of the tobacco of the Pryor variety, which finds its way to England in the form of strips. No more intelligent view of the great variety of tobacco produced in Kentucky can be had than by an examination of the excellent and comprehensive display which now appears in the Kentucky tobacco exhibit in the main aisle of the Agricultural Building of the "World's Columbian Exposition," where more than two hundred samples of tobacco may be found of the various grades and types, all the product of Kentucky, thus fitly demonstrating an unequaled adaptability of soil and climate for the great narcotic herb. The United States produces the largest commercial supply of all nations; so is Kentucky by far the largest producer of any of the States, and Louisville (her metropolis) is pre-eminently the largest tobacco market in the world. The sales of Louisville last year amounted to one hundred and sixty-three thousand hogsheads, with receipts for the same period of about one

hundred and twenty thousand hogsheads; and the value of the Louisville sales for the year 1892 aggregated about fifteen million dollars, while the total value of the 1892 Kentucky tobacco crop amounted to something like thirty million dollars.

Kentucky stands far in the lead of other States of the Union in the production of fine whisky, known as "drinking whisky," or, to use still another phrase, whisky that can be consumed as it comes from the still. In the production of spirits, that is, of goods used in compounding or making cheap whiskies, the great State of Illinois leads Kentucky somewhat; that is to say, in the withdrawals during the fiscal year of spirits Illinois aggregated some ten or twelve million gallons over Kentucky's withdrawals of aging or drinking whiskies. The average of a year's product of Kentucky's whisky may be estimated at about thirty million gallons, aggregating about nine million dollars; and when it is withdrawn from bond, and the Government collects a tax of ninety cents on each gallon, or say twenty-seven million dollars in taxes, it represents an outlay of about thirty-six million dollars. In making this vast amount of whisky it requires about seven million five hundred thousand bushels of corn and six hundred and fifty thousand barrels, costing about two dollars and fifty cents each, and gives employment to a large army of men. Kentucky distilleries fatten on an average fifty thousand head of cattle a year, and the cattle thus fattened bring the highest prices of any cattle offered in Eastern or European markets. If Kentucky has achieved fame in the splendid quality of her horses, she is none the less famous for her rich old Bourbon whisky, that is known and conceded to be the best produced in the world. There is a consumptive demand of from twenty to twenty-five million gallons of Kentucky whisky per annum; and dealers in Kentucky whisky state that the trade is increasing year by year. A vast sum of money is invested in Kentucky in the manufacture of whisky, and, commercially, it is a leading product of the State.

As a hemp-producing State Kentucky takes the lead of any State in the Union. She raises more hemp than all the other States of the Union put together; and this is not only significant, but a high tribute to the character of her soil, when it is known that it requires the best and highest class of land to produce hemp.

The city of Louisville, the metropolis of the State, is the largest producer of cement of any State in the United States. During 1892 there were manufactured in that city alone over two million barrels. It has thirteen mills, which employ over a thousand hands, and which have more than two million dollars capital invested in them.

The city of Louisville also is the largest manufacturer of oak sole-leather in the United States. For the year 1892 it turned out three hundred and seventy-five thousand sides, representing a value of about two million dollars, and the capital employed in this business is about a million and a half dollars.

In addition to the manufacture of sole-leather, the city of Louisville also manufactures a great quantity of harness and other sole-leather, but is the largest producer of oak sole-leather.

The fame of Kentucky jeans is a part of the history of the State, and dates back to the beginning of the present century. Goods of somewhat similar character were manufactured in Pennsylvania and Virginia prior to that time; but the true Kentucky jeans, for which the State has always been noted, and which surpasses all others for its strength and durability, holds a special place in the markets for wash-goods throughout the United States. There are probably twenty-five or thirty mills manufacturing jeans in seven or eight of the Western or Middle States of the Union, but the bulk of the goods now sold is manufactured by the Falls cities of the Ohio. The five mills work about one thousand five hundred looms on Kentucky jeans, and employ about two thousand operatives. The product amounts to over twelve thousand pieces per month, and

represents a value of about two million dollars per annum. The output by measurement of Kentucky jeans would not fall short of seven million five hundred thousand yards, or nearly five thousand miles, which, if joined together, would reach from New York to San Francisco, and leave enough over to extend several hundred miles out into the Pacific Ocean. The fabric, if made into a tent, would cover a space of thirteen thousand acres, and afford a canopy for the entire population of the United States, and leave ample room for all the inhabitants of Ireland. In connection with the manufacture of jeans, many manufactories of clothing have of late years sprung up in the vicinity of Louisville, and a large portion of the goods manufactured are cut and made into clothing, and sold throughout the West and South. Louisville may justly claim to be headquarters of the jeans industry, and with her large mills and factories, and constantly increasing capacity, is likely to retain that prestige.

If the developed industries and resources of Kentucky are great and magnificent, the undeveloped resources of the State present figures and conditions which still further elevate Kentucky in the scale of natural wealth. Pennsylvania is supposed generally to be the great coal State of the Union, but yet it has a thousand square miles less of coal territory than Kentucky.

The same bituminous coal range that has given Pennsylvania its marvelous wealth extends through Kentucky, and nature has placed within the limits of the State ten thousand square miles of the Appalachian coal-field. Nor yet satisfied with this beneficent gift, it has placed in the southwestern portion of the State four thousand square miles of the other great coal district, the Illinois coal-field, thus giving Eastern Kentucky ten thousand square miles of the Appalachian and to Western Kentucky four thousand of the Illinois coal-field. No other State in the Union possesses parts of these two great coal-yielding regions. In persistence, in extent, and depth, the seams of Kentucky coal-fields are surpassed by those of no other State.

But still further blessings were bestowed upon Kentucky by placing therein large deposits of cannel coal, and while this deposit is limited in Western Kentucky, yet in Eastern Kentucky it covers hundreds of square miles. This cannel coal deposit of Kentucky is the most extensive of its kind in the world. In the past development has only touched its outer edges. In parts of Morgan County the seams are five feet in thickness, and in Floyd, Breathitt, Perry, Leslie, Letcher, Knott, and Harlan counties from twenty-two to thirty inches of this wonderful deposit are found in great quantities.

Very remarkable oil discoveries have been made in Kentucky in the last few years. Petroleum was discovered almost as soon in Kentucky as in Pennsylvania, but the matter of transportation and chemical difficulties prevented its extensive development; but on the Cumberland, Big Sandy, and parts of the Kentucky rivers wells are now being sunk, and not only petroleum in large quantities is being found, but lubricating oil of a superb quality has been extensively found. Pipe lines are being constructed so as to make use of these newly discovered wells. These sections are far removed from railroads. The spirit of development will reach these sections within a few years and bring these splendid riches into use.

One-fourth of Kentucky is unbroken forest, making the largest hardwood territory known in the United States. These millions of acres are filled with oak, ash, hickory, poplar, and walnut, and the supply in Kentucky alone would meet the demands of the whole country for a quarter of a century.

Natural gas, too, has been found in Kentucky in large quantities. In Eastern Kentucky and in some sections along the Ohio River it has been developed in sufficient quantities to justify the location of factories.

Along with the undeveloped resources comes the extraordinary extent of navigable streams in the State. Within the limits of Kentucky there are more miles of navigable

streams than in any other similar area in the world, and with one exception they all run north, and through these wasting treasures of the State.

The iron-producing districts of Kentucky have suffered greatly by lack of railway facilities, and have been in many instances practically annihilated. Vast deposits of ore lie scattered throughout its mountains, which await only the approach of railways to spring out into wealth and prosperity.

Kentucky stands eighth in the list of iron States, and the portion of her iron known as the Red River deposit ranks for many purposes as the best iron in the United States, and equal in every respect to Swedish iron.

In conclusion, what is to be the future of banking in this country? Kentucky bankers and financiers to a man will stand shoulder to shoulder with the bankers and financiers of other States of this Union for a safe and conservative policy and a sound currency. I respectfully submit the following suggestions for the consideration of those who are giving this question much thought. I claim no originality for the views herein expressed; they are the result of much thought and investigation, and are the views of other abler and more experienced bankers than myself, with whom I have consulted, and I think they are worthy the consideration of all who are interested in this subject.

WHAT SHALL THE FUTURE BE?

When five-twenties paying interest at six per cent in gold were bought at par in currency, and gold was worth two hundred, national banking was profitable; but when four per cents which shall mature in fourteen years command a premium of twelve per cent, there is no gain in circulation. It is everywhere admitted that our present banknote currency is the best that we have ever had and ought to be continued. Some also think the banks that furnish it should have some means provided them of compensation.

The questions then arise: What will become of our bank-note currency when the bonds by which it is supported shall be canceled and retired? Must the bank-note perish with the bond? Will the Government increase its greenbacks and become the great note issuer of the country, or shall the duty of providing paper evidence of money then devolve upon the banks alone? Can there be, without the bonds, a bank-note currency of equal safety and convenience with the present, and can the banks be compensated for providing it without a burden or a cost upon the public? These are questions of importance. They are questions that demand consideration, and they are questions that must be answered at no distant time.

Foreseeing the exigency that must arise, a late Comptroller of the Currency seriously proposed to base the future bank-note circulation on the bonds of foreign governments; but the genius of America would hardly brook so far-fetched a foundation for a currency that might find safer basis nearer home. It has been often said we should create new bonds to meet the coming crisis. But why create new bonds? Why borrow money that we do not need? Why make more debt merely to attain an end that we may reach without a debt? Can not a paper currency be found, when all the bonds are gone, of equal safety and convenience with the present without creation of new debt? If so, how?

The national banking system, which took its rise in Mr. Chase, was no experiment, and Mr. Chase was no inventor. With but little change he but adopted methods then in use and sanctioned by the test of time. Since then the system has spread over all our States and met the ordeals of panic and of civil war. If passing these the system still survives, provided with a means of circulation when the present fails, it may be looked to as a system to endure. To all of this we add the following facts: *First.* The safety of the national bank-note does not rest upon the bonds alone, for it is also secured by first lien upon the entire assets of the

bank that issues it. *Second.* The Government exacts a seigniorage on circulation, which is constantly accumulating but has no special application.

In answer to the question, then, "Can a currency be found providing all of the advantages now possessed, but without the bonds, if so, how?" we answer: 1. Let the banks continue to be national, and the Government to supervise. 2. Let notes be issued then, as now, through the Comptroller's office. 3. Base circulation upon capital, or upon capital and surplus, both of which must be intact. 4. The double liability of stockholders to be continued. 5. The note-holders to have first lien upon all assets. 6. Deficiencies to be supplied from seigniorage. 7. And should all the assets of a bank, the double liability of stockholders, and the seigniorage yet fail to be sufficient to redeem the notes of failed banks, a tax pro rata on the outstanding circulation of all banks so organized, whether State by State or throughout the nation, to provide the sum remaining. 8. Upon this basis circulation to be granted to each bank equal to, say one-half of its capital or capital and surplus. 9. In all other particulars, with some slight changes, the national banks to remain as now.

The advantages thus secured would be: 1. That much-sought flexibility that was intended by the act, but does not now obtain, and under existing methods never will. 2. The surrender of their charters by the State banks, and a universal oneness of our banking system. 3. Profit upon circulation where no profit now is found, but ought to be.

The disadvantages of the non-adoption of some such plan as this is likely to be found in an ultimate resumption of State bank issues, resting upon the various uncertainties of State laws and followed by such evils as have heretofore attended them.

It is noteworthy that if in the beginning the banks had been upon this basis, and so continued ever since, no disaster which has befallen any one of them would have made

a levy necessary upon other banks or caused a draft upon the seigniorage.

What more, then, can be asked, or why look further for foundation for a currency which gives us all we have, adds flexibility, gives profit to the bank without a cent of tax upon the citizen, that brings all banks within one uniform and simple system, protects them from the fluctuations of a bond foundation, and perpetuates the system beyond the reach of bond maturities.

BANKING AND RESOURCES OF MARYLAND.

By Mr. Douglas H. Thomas of Baltimore.

SITUATED midway between the North and the South, Maryland combines the best advantages of both sections without their disadvantages. In climate, it suffers neither from intense cold nor from enervating heat. Its mountain ranges shelter it from the northern winds and cold, and furnish unsurpassed summer resorts; its proximity to the Gulf Stream gives warmth to its winters and helps to make it one of the greatest early fruit and trucking States of the Union. With soil and climate adapted to every variety of agricultural products of the temperate zone, Maryland offers to farmers good lands at a low price, an excellent soil that will yield large crops of the cereals, grasses, fruits, or vegetables; it offers ready access for all farm products to the four best markets in the East — Baltimore, Washington, Philadelphia, and New York; it offers an abundance, greater than found anywhere away from the Chesapeake Bay, of oysters and fish, that can be had for the catching by those living near the water, and can be had at a minimum cost by those who are located in the interior counties. Maryland claims pre-eminence over every other State for combined advantages for profitable agricultural pursuits with so few disadvantages. It produces annually about eight to ten million bushels of wheat, thirteen to fifteen million bushels of corn, and two million bushels of oats, and twenty-five to thirty thousand hogsheads of tobacco, while it is the largest peach-growing State in the Union and is probably not surpassed by any other in the production of strawberries and similar fruit. The tide of immigration has passed through her chief port and on to

the West, no effort ever having been made to attract either foreign or American settlers. As a result of this we have more land than can be profitably cultivated by our present population, and good agricultural lands, in many cases fairly well improved, can be had at extremely low figures.

While so abundantly favored from an agricultural point of view, Maryland is also blessed with a variety and an abundance of mineral resources, which furnish the foundation for great industrial wealth. The bituminous coal of Maryland is not surpassed by any coal in America. Our mines have an annual output of about three and a half million tons, most of which is shipped through Baltimore to furnish fuel to the factories and railroads of New England. While Great Britain mines its coal eighteen hundred feet underground in a vein two feet thick, Maryland mines its coal above water-level, much of it from a vein thirteen feet in width. A Maryland quarry located near Baltimore furnished the marble for the construction of that magnificent shaft, the Washington Monument, in the city of Washington, and so cheap is this material that there is scarcely a thousand-dollar mechanic's house built in Baltimore without having its white marble steps. Of granite the annual output is valued at about fifteen million dollars. The range of minerals found in the State covers the widest variety and offers inviting fields for profitable investments.

The Chesapeake Bay is the greatest oyster-field in the world, yielding annually about fifteen to sixteen million bushels, affording employment in the catching and handling of oysters to between forty and fifty thousand people. The most careful investigations made by the biological department of the Johns Hopkins University show that as the ever-increasing demand for oysters justifies the extension of their cultivation, or "oyster farming," as is now so generally conducted in France, in Connecticut, and to some extent in Maryland and Virginia, the Chesapeake Bay can afford profitable employment to five hundred thousand men, so unlimited is its oyster-producing capacity.

This great trade centers at Baltimore, bringing to our port during the oyster season some eight thousand or ten thousand oyster-laden vessels. These are mostly schooners of a capacity of from one thousand to fifteen hundred bushels each. The handling of this business — the opening and canning of the oysters and the shipment of raw oysters — employs about fifteen thousand hands in the city, over one hundred and forty houses being engaged in the trade, with an aggregate capital of nearly five million dollars. The oyster season lasts from September to April; the same houses that in winter handle oysters, in summer can fruits and vegetables. This combination has made Baltimore the greatest center of canned goods business in the world, the supply of fruits and vegetables for canning being as abundant as is the supply of oysters, Maryland being the largest peach-growing State in the Union, and likewise a very large producer of other fruits and vegetables.

Such a combination of advantages and resources as Maryland possesses is rarely found. Although the area of the State is comparatively small — being only about eleven thousand square miles — we have great mountain ranges rich in minerals and timber, magnificent valleys of unsurpassed fertility, and entire counties bordering the bay and the ocean of light loamy soil, the home of the peach and other fruits unsurpassed for trucking. Dividing the State almost its full length is the Chesapeake Bay, one of the finest inland bodies of water in the world — a splendid salt-sea, furnishing water transportation for millions of tons of freight and making Baltimore the farthest inland of all the Atlantic ports. Emptying into the bay are a number of great rivers, the Susquehanna, the Potomac, the Rappahannock, the York, the James, the Patuxent, and others, that drain a wide territory, bringing into the Chesapeake a vast aggregate of business from this and adjoining States, which naturally centers at Baltimore.

The census of 1890 made Baltimore the seventh city

in the Union in population, giving it a population of four hundred and thirty-four thousand, which was ten thousand less than that of St. Louis and a little less than Boston; but during the last three years the city has been making such rapid progress in industrial development and in population that there is reasonable ground for claiming that it ranks to-day as the fifth city in the country. Carefully compiled reports show that our population is now increasing at the rate of about thirty-five to forty thousand a year. Baltimore has been developing with wonderful rapidity during recent years, but very modestly has said so little about it that the world at large has had no conception of the great progress which it is making. In fact the city has been undergoing a great revolution; it has been changing its horse-car lines to cable and electric lines at an expense of probably fifteen million dollars, which will give us before next fall about two hundred and fifty miles of rapid transit roads, all of which is the work of just two years. Twelve years ago Baltimore had thirty-eight million dollars invested in its manufacturing interests, which employed fifty-six thousand hands and paid out fifteen million dollars a year in wages; our manufacturing capital is now over one hundred million dollars, the number of our factory hands is about one hundred thousand, and their wages are between forty and forty-five million dollars a year. Moreover, the largest manufacturing enterprises which have been established in Baltimore of late years have located just outside of the city limits, and the capital of these concerns, which, while not in the city, are really a part of the city's industrial life, aggregate fifteen million dollars or more. Metallurgical authorities admit that the most brilliant move made for many years in the iron and steel trade was the action of the Pennsylvania Steel Company six years ago in securing control of vast deposits of Bessemer ore in Cuba and the building of a gigantic iron and steel plant at Baltimore to use these ores in connection with West Virginia coke. In doing this the company has practically secured a monopoly of the

steel-rail trade of the entire coast from Maine to Texas. It is claimed that this company is now making rails at a lower cost than any other concern in the country, and when we begin to export steel in competition with Great Britain, as we shall do before many years, this plant will be the only one having access by all water transportation to foreign countries. This is the only company in the United States that mines its own ore and carries it through every stage to the steel rail and the steel steamship. Other shipyards buy their plates from steel-plate makers; these buy their iron from some one else, and the latter buy their ore from others. This one plant combines the whole business. It owns ore mines in Cuba, it runs its own steamship line to import this ore, it makes its pig-iron, its plates for ship-building, it builds steamships, and it also turns out one thousand steel rails a day. About eight million dollars have already been invested in this plant. The builders of it, after a careful study of every Atlantic port, selected Baltimore as the place having greater advantages than any other for such a plant, the building of which marked a revolutionizing period in the steel interests of the United States. Its establishment here has forever settled the destiny of Baltimore as one of the leading iron and steel centers of the world. And as once said by Mr. Edward Atkinson, that nation or that section of any nation which can produce iron and steel at the lowest cost will dominate and control the commerce of the world, so Baltimore, as the cheapest steel-producing place, with unsurpassed transportation facilities by water, not only to the Atlantic Coast but to foreign markets also, as well as by rail (a combined advantage possessed by no other steel-producing point in this country), can point to Mr. Atkinson's prediction and claim that it will find its fulfillment here.

Concerning the financial condition of the State of Maryland I would state that the total funded debt of the State of Maryland November, 1891, was $10,721,643; less amount in the sinking fund, $6,845,596; net debt November 1st, $3,876,047. For this balance of $3,876,047 the State has as an offset

her unproductive stocks, amounting to $29,119,459, and $750,035 due from accounting officers and incorporated institutions. This large sum, $29,119,459, was incurred chiefly in the construction of works of internal improvement, notably the Chesapeake & Ohio Canal. The total assessed value of property in the State is $510,003,077, and the State tax rate is one dollar and seventy-seven and one-half cents per one thousand dollars.

There are seventy-eight national and seven State banks in the State, with an aggregate capital of $21,000,000,000 and surplus $9,000,000, and total deposits of $44,000,000. There are twenty-eight savings banks in the State, having an aggregate deposit of $39,000,000 due to 135,000 depositors. It is a fact worthy of record that no bank failures have occurred in the city of Baltimore for over fifty-five years.

BANKING AND RESOURCES OF MICHIGAN.

By Hon. T. E. Sherwood of Lansing.

MICHIGAN, the beautiful Peninsular State, to be known needs but to be mentioned. With its two and one-half millions of inhabitants and its fifty-eight thousand nine hundred and fifteen square miles of territory, it comprises not only a wide region of abundant natural resources, but also those industries and improvements that make her the peer of any State in the Union. The coal-field and beautiful farms of the southern part of the lower peninsula, the forests of the northern portion, together with the copper, iron, and forestry of the upper peninsula, combine to make Michigan rich in natural resources, to which when added the manufacturing industry, which the enterprise, thrift, and industry of the citizen has built up, together with her excellent system of free schools, all tend to give Michigan a world-wide reputation in all that adds to the material, industrial, and intellectual wealth of the nation.

Time will not permit me to fully discuss the resources of Michigan, and I will therefore call your attention to but a few industries, the development of which has made Michigan famous the world over. I will only refer to the copper, iron ore, lumber, shingles, salt, and furniture industries at this time, and hope you will become sufficiently interested to visit us and make a personal tour of inspection.

For the year 1892 the output of copper in Michigan, as compiled by the *Mining Journal*, was 107,200,000 pounds of refined copper, which at twelve cents per pound, the average price during the year, amounts to $12,864,000; and yet we are not asking to have our copper coined into pennies and

made a legal tender. The output of iron in 1892, according to the *Iron Herald*, amounted to 7,824,556 tons, the average price being four dollars per ton, making the total value $31,-298,624. The total quantity of lumber manufactured in Michigan in 1892 was 3,794,256,754 feet, which at fifteen dollars per thousand amounts to $55,913,851. The total number of shingles made in 1892 was 2,140,647,875, the average price as to grades being two dollars and fifty cents per thousand makes the total value $5,351,620. The number of barrels of salt produced in Michigan in 1792 was 3,812,000, which at sixty cents per barrel amounts to $2,287,000; and last, though not least, comes the furniture industry, which in Michigan is increasing each year. The city of Grand Rapids, which to-day is perhaps the most noted furniture manufacturing city in the United States, in 1892 manufactured furniture valued at $10,864,000. From these six industries alone (one of which is incomplete, as I have only given the furniture product of one city) Michigan offers to the markets of the world, in the one year 1892, goods amounting to over $119,500,000.

I have not mentioned the great agricultural interest of Michigan, not because it is insignificant, for it far exceeds every other industry and compares favorably with any other of our sister States in its production of hay, grain, wool, fruit, and vegetables. I have simply mentioned those industries that have made Michigan known abroad and gained for her an enviable reputation among the sisterhood of States. Notwithstanding Michigan is rich in agricultural, timber, and mineral resources, until within a few years we have had to depend upon outside capital for their development; and this brings me to the second part of the subject assigned me, viz.:

BANKING LAW AND FINANCE.

Michigan, in common with other States, has had a varied experience in banking and banking laws, and has dearly paid for that experience in the losses she has sustained, as

have other States in the Union, as well as the nations of Europe. It seems strange that the States and nations will not be benefited by the experience of others, but they will not. The John Laws of to-day are just as positive that something can be made out of nothing as was the original John in France in 1718. Each individual thinks his financial policy the correct one, and the reason it failed of success one hundred and seventy-three years ago was because the system was in advance of the times, which the changes in the manner of transacting business and the increased intelligence of the people will now make successful. We admit that the business methods have changed within the past few years, and will necessarily change as business increases and facilities for exchanging the products of the different countries multiply. We also realize that there is a marked advancement in the intelligence of our business men, but we must not forget that the great fundamental principles of finance never change, and the more intelligence we possess the more careful we will be to have a sound foundation for the support of the financial system which is the life-blood of the nation.

The Michigan banking law of 1837, under which the notorious "wildcat" money was issued, was repealed in 1841, but it was not until 1857 that the State had a banking law that was at all satisfactory to the public. This law provided for banks of issue, in fact up to the close of the Civil War the name *bank* carried with it the idea of an issue of paper currency rather than for the transacting of the business of the commercial world, and for the safe deposit of the surplus funds of our citizens. The passage by Congress of the national banking act in 1863, and the law passed in 1865 imposing a tax of ten per cent on the amount of the notes of any State bank or banking association, effected a complete change in the system of banking in our State. Instead of being banks of issue and depending largely upon circulation for their profits, our banks became commercial associations, or, if you please, clearing houses, where our

business men made their exchanges, discounted their commercial paper, and deposited their surplus money, the bank's profits being derived from loans made with these deposits (upon which no interest was paid) and from exchange bought and sold.

The law of 1857, although reasonably satisfactory in the transaction of commercial business, even in the changed condition of business affairs, failed to provide for small depositors who desired to deposit their savings and receive interest thereon. Hence in 1873 the law was amended providing for the incorporation of savings banks. But the State had outgrown the law. It was incomplete and defective and many of its provisions obsolete. The business men of the State urged upon the Legislature of 1887 the necessity of a banking law that would satisfy the demand of the constantly increasing business of the State. The Legislature enacted such a law, which was adopted by the people at the general election of 1888, and became operative January 7, 1889. Michigan's general banking law provides for a banking department charged with the execution of the law, and its chief officer is called the commissioner of the banking department. He issues authority for the incorporation of banks, calls for at least four reports annually, at such times as he deems necessary, and causes examinations to be made of each bank under his supervision at least once in each year, and has the same authority over the State banks of Michigan that the Comptroller of the Currency at Washington has over the national banks of the United States. In fact our banking law is copied largely from the national bank act, with several additional amendments applicable to the business necessities of our State.

Michigan State banks are capitalized, and the stockholdere are each liable for an amount equal to the par value of their stock in addition to the said stock. At least fifty per cent of the capital must be paid in before the bank is authorized to commence business, and the remainder in monthly installments of at least ten per cent of the capital

stock. The amount of capital required of a State bank is regulated by the size of the city or town where the bank is located, the smallest capital being fifteen thousand dollars, in towns whose population does not exceed fifteen hundred.

Michigan's banking law differs from the national bank act in that it is a dual law. It recognizes two classes of business, commercial and savings, both separate and distinct, and yet both embodied in one with separate restrictions. The commercial department of our State banks is especially for the accommodation of business men. They are exclusively devoted to the collection, safe-keeping, and the employment in temporary loans of the floating capital of the country. Every merchant, miner, manufacturer, and farmer is dependent upon the commercial bank for funds to enable them to market their products at the earliest moment. Hence Michigan's law restricts the loaning of the deposits of commercial banks upon mortgage, or any form of real estate security, to fifty per cent of its capital stock, and then only upon a two-thirds vote of its directors, except to secure a debt previously contracted in good faith. This restriction is simply to prevent the tying up of capital by long-time loans, and by so doing embarrass the commercial and manufacturing enterprises of the State.

The savings department of our State banks is the depository for the surplus money not needed in active commercial business. Deposits in this department are generally made by mechanics, who have not the time or opportunity to make investments, and by laborers and servants, who have not the education or ability to engage in active business. They deposit their money for safe-keeping and for interest, under such rules and regulations as the board of directors of the bank prescribes. One of the rules governing savings deposits, adopted by nearly every savings bank in the State, provides that the cashier may in all cases require ninety days' notice to him in writing before a depositor will be entitled to withdraw his deposit, or any part thereof. This

rule is enforced only in case of financial excitement, and has been resorted to with good effect by many banks in our State during the past few weeks. People withdraw their money from banks in times of financial excitement, not because they doubt the solvency of the bank so much as they fear that others will get ahead of them and secure the money the bank has on hand. When they find that none are allowed to draw their deposits they go away satisfied that their chances are as good as others, and usually at the end of sixty days thank the cashier for enforcing the ninety-day rule.

Michigan's banking law recognizes the fact that banks are but custodians of the people's money, and therefore prescribe the amount, quality, and kind of securities that may be taken with the deposits in the two departments of our State banks. In the commercial department, as I have already said, money can not be loaned on real estate security except by a two-thirds vote of its directors, and then not more than fifty per cent of its capital. It can not loan to one individual company, corporation, or firm more than ten per cent of its capital and surplus, except by a two-thirds vote of its directors, in which case the limit is twenty per cent.

This limitation does not apply to loans upon real estate or other collateral security, or the discounting of commercial paper owned by the person negotiating the same, or bills of exchange drawn in good faith against actually existing values. Commercial banks, or banks with commercial departments, are required to keep on hand at all times at least fifteen per cent of their total deposits, except that in cities of over one hundred thousand population each of such banks shall keep on hand twenty per cent of its deposits, one-half of which reserve shall be in lawful money, and the balance may be in funds payable on demand, deposited in banks in cities approved by the commissioner as reserve cities. The savings department is required to keep on hand at least fifteen per cent of its total deposits, one-third of

which reserve shall be in lawful money in its own vaults, and the balance on deposit payable on demand with banks, national or State, in reserve cities or invested in United States bonds. Three-fifths of the remainder, or fifty-one per cent of the deposits, must be invested in bonds, or in negotiable paper secured by bonds, or upon notes or bonds secured by mortgage lien upon unincumbered real estate worth at least twice the amount loaned. The remainder of the deposits, or thirty-four per cent, may be invested in notes, bills, or other evidences of debt, the payment of which is secured by the deposit of personal property as security, or may be deposited in banks in reserve cities, providing the amount does not exceed ten per cent of the total deposits, capital, and surplus of the depositing bank, and an amount not exceeding the capital and additional stockholders' liability may be invested in negotiable paper approved by the board of directors. This thirty-four per cent investment of collateral and short time commercial paper acts as a sort of financial safety-valve. Being readily converted into money, it enables a bank to meet unusual demands without being compelled to dispose of its mortgage securities.

At the time our banking law was being discussed in the Legislature, I had some doubt of the wisdom of allowing banks to incorporate with savings and commercial departments for the transaction of both classes of business, but after four years of trial I see no reason for changing, especially in small towns and villages, where the two classes of business could not profitably be carried on in two separate institutions. Many business men have two bank accounts, one commercial and one savings. The bank combining both classes of business can accommodate this class of persons, and there is no excuse for a bank's customer going elsewhere for an accommodation unless at the request of the bank.

The relations between a bank and its customer should be as close and private as between physician and patient.

No man in ill health would think of consulting and taking prescriptions from three or four physicians at the same time unless he expected to die, and no man should have accounts at several banks, especially if he is a borrower, unless he expects to die a financial death and wants a large number of mourners at his funeral. It is a fact that no banker can deny that the heaviest losses banks sustain are by those who are customers of several banks at the same time.

Michigan's law does not permit the issuing of any bill, note, or certificate intended to circulate as money; neither can a bank issue post notes. All debts due to any State banking association on which interest is past due and unpaid for a period of six months, unless the same are well secured or in process of collection, are required to be charged off at the expiration of that time. The expenses of the banking department are paid by the State from the general fund, but each State bank is required to pay into the State treasury, for the credit of the general fund, one-hundredth part of one per cent of the gross amount of the assets of said bank at the time the examination is made, provided that the examination fee of any bank shall not be less than ten dollars.

Michigan's banking law does not provide for the supervision of private banks. These banks are without any supervision whatever, and so far as the public know the amount of capital invested, methods of business, and investments made, they are what their name indicates, private. Our law provides the usual penalties for its violation, giving the commissioner power to take immediate possession of a bank for any violation of its provisions, and under the direction of the court wind up its business.

This in brief is Michigan's banking law, and in the four and one-half years it has been in operation its adaptability to the various business demands of our State is amply proven by the fact that over eighty banks have incorporated under its provisions within that time.

On May 4th last the one hundred and forty-nine banks and three trust companies then incorporated reported their assets as $84,276,584.34; at the same time the one hundred and three national banks reported total assets as $75,722,442, making the total assets of the banks of the State $160,000,000. The deposits of the State banks May 4th were $65,533,057, and of the national banks $41,056,961.88, making a total of more than $106,590,000.

Rather than weary you, I have briefly alluded to the resources of Michigan and pointed out the salient points of its banking law and bank resources, and can only add that if you desire a closer acquaintance with us wolverines visit our State, and study for yourselves our marvelous resources, our wonderful lakes and rivers, our health-restoring summer resorts, and our beautiful scenery. I can assure you a hearty welcome and a royal good time.

BANKING AND RESOURCES OF MISSISSIPPI.

By Dr. P. W. Peeples of Jackson.

TAKING up the subjects seriatim assigned to me, my first remarks will be on the banking system of the State.

SAVINGS BANKS.

Owing to the fact that we have no populous cities or dense country populations, this feature of banking has not been generally introduced, and does not prevail only in a limited way. In fact, the establishment of savings banks at all is of recent date, and is just fairly being brought to the attention of our people. Thus far investments in this line have proven satisfactory and promise to grow in its proportion in the near future. At this time the capital stock of savings banks amounts to $204,000, with an accumulated surplus of $73,000, clearly indicating that capital and proper management are only required to make this a successful method of banking.

NATIONAL BANKS.

The thirteen national banks in the State, in the statement rendered to the Comptroller in May, exhibited total resources of $4,250,000; loans and discounts of $2,430,000; capital stock, $1,115,000, with a surplus of $459,732.58; undivided profits, $147,568.34; deposits, $1,908,546.56; cash on hand, $459,601; bills payable, $264,763; showing a reserve of twenty-four and seventy-six hundredths per cent.

STATE AND PRIVATE BANKS.

Capital stock, $4,016,700, with a surplus of $1,117,880. Total resources, $7,432,000; deposits, $5,675,000; borrowed

money, $471,000; cash on hand, $2,237,000; showing a reserve of twenty-seven and one-half per cent.

It may be safely stated that the amount of reserve held by our banks does not fairly indicate the conservative management which really exists. The unusual amount of cotton being carried at this season necessarily decreases the amount of money on hand; although it is believed with the margin of security almost invariably demanded they are rendered not only safe but profitable loans, especially when it is considered that it is a property which we are almost always enabled to realize on in an emergency. We point with some pride to the fact that we have passed thus far through a remarkable era of hard and stringent money with only a single failure, which will be noticed in another branch of my remarks.

When the comparison is made between the management of State and national banks — clearly not to the disadvantage of the former in Mississippi — and the additional fact that some system, it appears, will have to be introduced to supply what has been deemed by many of our wisest statesmen and ablest financiers to be the best and safest banking law this country has ever had, it is not astonishing that there is a growing sentiment among our bankers in favor of the repeal of the ten per cent tax on the issues of State banks. This was demonstrated during the session of our State Bankers' Association in May, when, after a thorough and earnest discussion, participated in by some of our ablest financiers, a resolution asking its repeal was adopted. Other States have taken the same action.

RESOURCES.

In estimating the actual resources of the State, so far as its connection with the banking interest is concerned, it would not be fair or comprehensive to confirm our deductions as to value as indicated by assessment made by the Government. In round figures the assessed value of the State, including all classes of property, approximated two

hundred million dollars, yielding annual revenue of something over five hundred thousand dollars. Aside from the fact that this assessment does not approach nearer than two-thirds of the real value when it is viewed as a basis for business estimates, we are confronted with the fact that this property has not, as a rule, the past three years been producing profitable results. From various causes, some of which have been beyond human control, investments, enterprises, and, notably, planting and farming, have made no net profits, thereby materially interfering with and diminishing legitimate banking resources. The great staple of our State, cotton, is the important factor in creating banking business. More than all else it furnishes the money which goes into the circle of commercial transactions. When cotton flourishes in quantity and price, business of all kinds prospers and money is easy; when cotton is dull from any cause, business languishes. Reflect a moment! Mississippi produces on an average about one million bales of cotton, worth at the present low price, say thirty-five millions of dollars. It will be readily seen if this was the surplus crop — farms and plantations being self-sustaining — we would rapidly become the richest agricultural people in the world, and the day is not far in the future, it may be reasonably hoped, when this will be realized. The work has begun, and is growing in volume, until it needs no prophetic eye to discern the happy results sure to follow a wise diversity in methods of farming.

The strawberry, with its shipments of five carloads per day from one small station of one hundred and fifty people; the tomato, with its shipments of twenty carloads per day from one lovely prosperous town on the line of the Illinois Central Railroad, thus emptying their wealth of luxury and health into the portals of this great and growing city on the lake, and elsewhere throughout the North and Northwest, all proclaim in tones not to be misunderstood that the problem which has so long perplexed our people is being rapidly solved.

The town referred to, Crystal Springs, shipped four hundred and fifty carloads of vegetables last season, which sold for $275,000; and this year about one hundred thousand packages of fruit additional will be shipped, which will increase the revenue largely. Cotton may still be king with us, but horticulture, hay, the Jersey cow, the blooded horse, and the sturdy mule, all of which are being raised and fostered in our State, will be factors in the race for prosperity which will as surely follow this new departure as day does the night.

In discussing the subject of the public and private credit of Mississippi a year ago, I advanced some thoughts similar to those which will be found in my remarks following, and I only desire to say that mature reflection has served to strengthen my convictions in their correctness.

FINANCE.

In approaching this branch of the subject it may be proper to say that when the history of the State is maturely considered in all of its phases we find many reasons to be satisfied. Perhaps no State in the Union has had such unfortuitous epochs in its financial history, nor has any more bravely confronted adverse influences. Early in its statehood, before opportunity had been given to establish credit, we were met with the blighting effect of repudiation. And whatever defense may have been made, and it was justified by many of our wisest and most honorable citizens, none will gainsay that the evil results have hung over us like a dark cloud. No amount of technical pleading, however strong and conclusive it may have been, could justify the action of the State or compensate her people for the disastrous results which have followed and met us on every hand when a movement has been inaugurated to develop her resources. It may well be worthy of deep consideration to trace the influence over our people caused by this demoralizing event, followed as it was by others of a like disastrous nature. What effect it had on the genera-

tions as they passed, many of our people being accustomed to viewing it as a righteous act, I have sometimes thought it may have in some measure prepared us to view the different financial heresies with a more lenient eye, and to accept them with a readiness neither wise nor proper. The discussion in the State two years ago, during a heated political campaign, hinging solely on schemes of finance, is an illustration of my meaning. There were two factions, mainly of the same party, one led by a man of great intellect, who had been a factor in State politics nearly a half-century, advocating what was known as the warehouse or sub-Treasury bill. The other was led by a distinguished states man, now holding a seat in the United States Senate, and who was re-elected during the canvass referred to. The plan of the latter contemplated the increase of per capita circulation to fifty dollars as soon as practicable, amounting in the aggregate, it was estimated, to one and one-half to three billions of dollars. The money was to be obtained by getting rid of the surplus, creating debt, and issuing Treasury notes to be based upon this debt. It is difficult now to believe that an intelligent people, trained practically in business habits, would calmly discuss or entertain either of these plans, but they did, both having large followings and earnest supporters. The people had been taught so long and the clamor had been so great and continuous for more money, and that any kind of money would pay debt, that the result followed as a natural consequence, unmindful as they were of the important truth that none but prosperous, net-profit-making people hold money, it matters not how much is put in circulation among them. I do not believe there is a successful business man to-day in the State who has given the subject thought who approves of either plan.

There are many reasons, I repeat, why the State can be properly congratulated on the condition of her finances to-day. Fifteen years ago State bonds drawing six to seven per cent interest were below par, some of its paper quoted

as low as sixty cents. Now the State has only a nominal debt, and the paper is eagerly sought by her own citizens, and I feel safe in saying that four per cent bonds can be floated about at par, notwithstanding the strained condition of money, verging at times on a panic. The faith of her people in the resources of the State, and the disposition which is growing daily to patiently and courageously stand by the Government in its effort to maintain the integrity of our finances, has served in a large degree to quiet the apprehensions of our people.

We have had only one failure, as I mentioned before, and that attributable to the effort of an able financier and public-spirited citizen to develop perhaps the richest agricultural region on earth. His faith in the future of the country led him to make an outlay which left him unprepared to encounter the disaster of flood, and his bank, like the property of many of the people he was aiding, went down in the flood.

Again, the evidence is unmistakable that a healthier sentiment is growing among our people. High-minded, honorable in their dealings, governed by liberal, fair, and just methods, it is not possible that they should want, or demand in their sober second thought, any but a sound, honest currency, and it is only a question of a brief period when they will take a firm stand upon that ground. This matter has attracted my attention, perhaps, as much as that of any man in the State, and the change is apparent and beyond question.

Two years ago, in the assembly of the State Bankers' Association, the subject of silver was mentioned, and so intense was the feeling and dread of public sentiment that the question was dropped. Twelve months ago the subject was fairly discussed, and the sentiment of the association was about evenly divided. As chairman of the Executive Committee, I submitted a report to the annual meeting in May. Among other things I reported the two following resolutions, which were adopted — so I am informed, I was

not present — without a dissenting voice. *First.* That we favor the repeal of the law known as the Sherman bill. *Second.* That we heartily indorse the financial policy of the national administration as outlined by President Cleveland and Secretary Carlisle.

It is no reply to say that this change has been among bankers. There could be no clearer index to the sentiment of the people. Country banks, unlike city banks, are peculiarly sensitive to the opinions of the people, where competition is close and patronage comes direct from the people.

It may be proper that I should say, in this connection, that it is not the opinion of our most conservative financiers that the operation of the Sherman law is wholly responsible for the existing trouble, but that it is fraught with a sufficient danger to induce a wise statesmanship to repeal it. It seems certain that monetary trouble will surely follow a continued outflow of large volumes of currency redeemable in a contracting supply of gold.

Recurring briefly to the financial condition of Mississippi, it is believed that if the cotton now held was sold, and the indications now are that it can be done, our banks would be in excellent condition, and be enabled in the main to go through the season without outside help from any source.

In conclusion, I desire to submit an earnest appeal to this Congress. Without entering into a discussion as to the correctness, how far or to what extent it may be true, it may be stated that the people, the great mass of voters, deem the power of banks to be paramount, that their combined millions enable them to not only influence legislation, but to shape the policies and methods of government. Recognizing the fact that a larger volume of currency is demanded by the business interests of the country, I believe that we should determine that whatever influence and power we may have, it shall be used in favor of more money, and sound money, and in opposition to a concentrated, centralizing government, and thus indicate what ought to be true, that a sound financial system and a free government go hand in hand.

BANKING AND RESOURCES OF MISSOURI.

By Hon. Lon V. Stephens of Jefferson City.

IT is now three hundred and fifty years since the first white man set foot on what is to-day Missouri soil. The body of De Soto found a fitting grave in the current of the mighty river whose discovery had been achieved amid dangers and hardships rivaling the stormy voyage of Columbus. The banner of Castile and Leon was the first to float over the waves of the Mississippi, as it had been the first to herald the discovery of the New World.

But it was not left for the Spaniard to enjoy the fruits of this discovery, for the followers of De Soto, baffled in the search for gold which had enticed them far to the northward, returned slowly to their native land, their ranks decimated by famine and disease, bearing with them disappointed hearts and ruined fortunes.

For over one hundred years the country slumbered on, with not even the stealthy step of the trapper or the rosary of the monk to herald its awakening. The primeval forests gave up their secrets slowly. The French (following the Spaniards) came in 1673, and in 1682 laid claim to this as to other territory west of the Mississippi River, calling the new discovery Louisiana. This territory later became a Spanish province, and then again French, and finally, in the year 1803, under the administration of Jefferson, was ceded to the United States. Thus was made possible the permanent establishment of the greatest republic of the ages, and the grant of Napoleon consummated the largest transfer of real estate recorded in history since the evacuation of the Garden of Eden by Adam and Eve.

Ninety years ago Lewis and Clarke first plowed the waters

of the Missouri, opening the way for the advance of civilization into a new and fertile country. It was at that time filled with game and wild beasts, and peopled with savage tribes of a now almost forgotten race. Daniel Boone, with a few adventurous followers, had already planted the standard of the Caucasian far inland. The stars and stripes had crossed the Mississippi, never to recede. It was the crossing of the Rubicon. Intrepid pioneers pushed westward. St. Louis was then a French trading-post of fifteen hundred inhabitants, Ste. Genevieve a promising and ambitious village. Beyond this was an unknown country. Virginians and Kentuckians came next, settling in the fertile valley of the Missouri River. The settlement of the State was thenceforth rapid, following, however, the great waterways, the Mississippi, the Missouri, and their tributaries. The discovery of gold in California in 1849 swelled this tide of immigration to a flood. Railroads began to push their way across the State to meet the demands for transportation, the first one being built in 1851. Thus was ushered in the commercial era in Missouri, the gradual unfolding of a plant which had been slowly germinating for centuries. It is this period which has brought Missouri into closer touch with all mankind; it has made her resources a matter of interest to all nations, exchanging her products, as she does, in all the markets of the world. To a study of this period, looking upon the present as but an earnest of the future, we invite your attention.

The banking system of Missouri to-day very strongly and faithfully represents the material development of the State. Yet in reviewing its history we can not but notice that it is only within recent years that banks have been brought into general use in the daily transactions of exchange, deposit, and discount. "Missouri was admitted to statehood in the Union in 1821, and increased rapidly in population during the forty years preceding the Civil War; yet at so late a date as 1856 the only incorporated banks in the State transacting a general business of deposit and discount were the

Bank of the State of Missouri and its five branches. The combined capital of these banks was $1,208,750, while the total deposits were but $1,500,000." I do not find that any history of the banking interests of Missouri has ever appeared in print. Mr. John J. Knox, in his admirable history of banking in the United States, makes no mention of it. Its progress appears to have been almost unnoted either by the various banking journals or by the daily press.

I am aware that it is difficult to command for anything new the measure of interest which we find in that which is old. Public opinion has no criterion of the future save the experience of the past. In the business world precedent is everything. No pledge of the future is accepted which does not sink deep its roots into the soil of past achievements. In the broad field of literature and art, all objects of antiquity inspire us with a feeling of veneration. We exalt the works of the old masters, but leave posterity to pass judgment upon the new. And it is true, also, that in the world of finance we view with pride those institutions which have long braved the storms and gales of financial seas, but do not readily believe that any newer craft can so fully deserve our confidence and trust. Confidence is a plant of slow growth. The test of time is the stamp of the mint upon the coin, which fixes its value for current use. The element of age enters largely into the measure of our approval of the prominent banking systems of to-day. The Bank of England is a symbol of rugged strength in our eyes, not so much through its massive stores of gold as through its hundred years of conservative history. The banking system of New York, in whose beginning the brilliant mind of Hamilton and the fertile brain of Burr were mighty factors, represents to us all that is solid and enduring in our own system. It challenges our confidence and stands to us the fitting representative of the stability of our investments. But we are impressed more strongly by its long history of fruitful sagacity and commercial probity than by its ample vaults plethoric of gold and currency. In Missouri

we can not trace an illustrious ancestry, for it is only within recent years that the banking system of Missouri has been brought into general use in a geographical sense.

The first bank organized in Missouri began business in September, 1816. This was the Bank of St. Louis, with a capital of $100,000. Samuel Hammond was its first president. It had been chartered August 21, 1813, by the Territorial Legislature of Missouri, but although popular subscriptions were solicited both in Missouri and Illinois, the organization was not completed until three years later. This delay had caused impatience among the people, and the movement to organize another bank was already well under way. This resulted in the organization of the Bank of Missouri, which was incorporated February 1, 1817, with a capital stock of $250,000. Auguste Chouteau was its first president and Lilburn W. Boggs its first cashier. Prior to the organization of these banks the currency and coin which found its way into the State were used to satisfy foreign debts, while at home various articles of barter and exchange were freely used as local "currency." Furs, hides, beeswax, and lead were the principal mediums of exchange. These two banks, however, immediately put into circulation large amounts of paper currency of their own issue. Instead of restraining speculation, they joined in the race for wealth, and gave greater volume to the expansion which was going forward everywhere. The penalty was certain to follow. On July 12, 1819, after three years of troubled existence, the Bank of St. Louis failed. Thomas H. Benton was a stockholder in this bank, and seems to have been a leader in the conservative element which made war upon the management of the institution. Benton's leaning henceforth was toward hard money, and the powerful influence he exercised in the State politics of Missouri for so many years had much to do with the conservatism of her after legislation in regard to the regulation of State bank issues.

The Bank of Missouri did not long survive the failure of the Bank of St. Louis, but went into liquidation in the sum-

mer of 1822. The State was then without banking facilities until 1829, when a branch of the United States Bank at Philadelphia was opened. John J. O'Fallon of St. Louis was its first president. The cashier, Henry S. Coxe of Philadelphia, had previously been in the employ of the parent bank. The management of this bank was more conservative than that of its predecessors, and it fully enjoyed the confidence of the people of St. Louis until it discontinued business about the year 1833, having succumbed to the embarrassments growing out of the determined hostility of President Jackson's administration to the parent bank at Philadelphia. It is a curious link to connect our own day with this almost forgotten period, that at least one of the clerks who served in this early institution, Mr. William F. Dunnica, is yet living, now as then a citizen of Missouri. The business of this branch of the United States Bank was transferred to the Cincinnati Commercial Agency, which now established a branch in St. Louis. This continued in successful operation for about four years, or until the organization of the Bank of the State of Missouri.

The Bank of the State of Missouri was chartered in 1837, and with its branches held for many years a practical monopoly of the banking franchises in the State. Its first branches were located at Fayette, Palmyra, Cape Girardeau, Springfield, and Lexington. This bank was the fiscal agent of the State of Missouri; it effected the sale of the State bonds and paid the interest upon the State indebtedness. The State had subscribed to one-half of the capital stock originally issued by the bank, and at times the bank advanced to the State large sums of money. It issued paper currency against a coin reserve held in its own vaults, either by the parent bank or the branches. The amount of the circulation thus issued was limited to three dollars of paper money for each dollar of coin, and the bank frequently held reserve in excess of the required amount.

In the year 1856 the amount of coin in its vaults was

$1,140,000, while its circulation was only $2,200,000, less than two dollars of circulation for each dollar of specie. It dealt only in its own notes and coin; the latter was composed almost exclusively of English, French, German, and Spanish gold, and of Mexican, Central American, and Spanish silver dollars and quarters. There was a small proportion of United States gold coin and a large proportion of United States half and quarter dollars, dimes, and half-dimes. United States silver dollars were then a curiosity, and remained so for many years. The bills issued by this bank were always redeemed at par on presentation. In those days of wildcat currency it was a record upon which we might look back with pride. The wildcat money which made this period so famous in financial history was not of Missouri issue. The Bank of the State of Missouri was practically a St. Louis institution, and the history of this period is a history of banking in St. Louis, rather than in the State at large.

The next banks organized in St. Louis had smaller beginnings, but several of them have grown and prospered until to-day they rank well among the solid banks of the Union. Among them are the Boatman's Saving Institution, which commenced a small savings bank in 1847; the German Savings Institution, the State Savings Institution, now the State Bank of St. Louis, and a second "Bank of St. Louis," now the St. Louis National Bank, which have grown gradually and steadily and are now among the largest and most prosperous commercial banks of the West.

By an act approved March 2, 1857, the Legislature of the State chartered six banks in St. Louis and one each in Lexington and St. Joseph. The provisions of these charters provided for the establishment of twenty branches in interior towns. Four of the six in St. Louis survive and prosper, three as national banks and one under the general banking law of the State. Previous to this time there had been private banking houses established in the cities of Boonville, Lexington, Glasgow, Hannibal, and St. Joseph,

and about a dozen private bankers were doing business in St. Louis. About this time also (1856) the Legislature authorized the Bank of the State of Missouri to establish additional branches in any county in the State whenever the citizens of said county should subscribe for one-half of the required amount of capital stock. The first general expansion of the banking system now began. Additional branches were established during the succeeding four years, and in the year 1860 thirty-four cities and towns in the State were provided with banking facilities. The eight leading banks were located in St. Louis. The country bank was usually a branch of one of the St. Louis banks. At this time the incorporated banks of the State had an aggregate capital (branches included) of $11,910,406, with circulation outstanding amounting to eight million dollars, and held about five million dollars in specie.

During the years 1860 to 1865 the number of banks and volume of business decreased rather than increased. Credit was unsettled and confidence was shaken. The Bank of the State of Missouri decided to retire some of its branches, which had increased largely in number under the statute of 1856. One of these newer branches was located at Arrow Rock. The local directors of this bank were notified to bring into St. Louis the one hundred thousand dollars in gold which formed its capital. Instead of doing so the directors held a hasty caucus and determined to resist its removal; and so, hastily and under cover of night, they carried the entire holding of coin far into the country and safely buried it. Some time later they reconsidered their action, and delivered it to the custody of the parent bank. Banking institutions are not now so scarce in Missouri, and the attempted removal of one would not be looked upon as so irreparable a loss.

Prior to the year 1866 the transactions of deposit and discount through the banks in the State at large were by no means general. Money transfers were usually made in actual currency, and bank checks in interior Missouri were

rarely seen. The growth of the banking system had not kept pace with the increase in population.

Missouri in 1856 had a population of 800,000, while her banks held deposits amounting to but one and one-half millions of dollars. To-day a single interior county in Missouri, with a population of 33,000, has twelve banks whose aggregate deposits exceed this sum. During the decade from 1850 to 1860 the taxable wealth of Missouri increased from one hundred million to five hundred and one million dollars. In the year 1850, with a population of 682,000, her bank deposits were but one million five hundred thousand dollars, or less than three dollars per capita. In the year 1860, with a population of 1,721,000, her bank deposits were but $4,557,000, again less than three dollars per capita.

To-day, with a population of about 2,700,000, our banks hold deposits amounting to $147,000,000, or about fifty dollars per capita, while our banking capital, including surplus, is $58,000,000. The last statement showed that our banks carried $45,000,000 cash and slight exchange, the cash reserve fund being about thirty per cent. The rapid growth of this later period has been phenomenal, and deserves our earnest attention. It is well to inquire who have been the builders of this wonderful growth, and have they builded wisely and well?

Many men are living in Missouri to-day, men who are yet young in years, who may be classed as pioneers in Missouri banking. Who are these men, it may be asked, and with what degree of honor and fitness have they acquitted themselves of their trust? For answer I may tell you that the managers of Missouri banks have been in the main Missouri men. In all other Western States banks in great numbers have been organized by capitalists from other States, bringing with them a previous training in their work, and receiving aid from Eastern capital in the organization of new banks. But the new banks of Missouri have been organized by local capital and the managers selected from the resident population. In the beginning banking

was a new science with these people. Bank robberies were not infrequent, and Missouri at one time gained an unsavory reputation as a border State that it has taken years of good conduct to efface. Counterfeit money was more frequently met with then than now, and a bank teller who did not cultivate sharp eyes had frequent occasion to charge spurious bills to profit and loss.

The tax upon bank capital, deposits, and circulation, as well as the stamp tax upon bank checks, made a serious drain upon the earnings of infant banks. Methods of bookkeeping in banks were in a crude state, and reforms were made in this direction but slowly. The bankers of this early period were without experience in the new work to which they were called, but they were men of probity and honor, whose success in other pursuits marked the wisdom of their selection. Their antecedents were well known, and they fully enjoyed the confidence of their neighbors. While lacking in technical skill, they possessed an intimate acquaintance with their new clientage, and of the means and resources of their own locality. They really possessed that first requisite of a successful banker, a ready knowledge of the credits with which he is to deal; a specific knowledge of the commercial value of the paper which would be offered for discount.

This intimate knowledge of the people stood these early bankers in good stead, and disastrous bank failures have been rare in Missouri. The panics of the century seem to have marked epochs of growth in the history of banking in Missouri. They have become milestones to mark its progress. The panic of 1817 marks the opening of the first bank known in the State. The panic of 1837 marks the opening of the first bank chartered as a State institution under the laws of the commonwealth. The panic of 1857 marks the change from the old State banking system toward a system of free banking, and the panic of 1873 marks the beginning of our more prudent and conservative methods in bank management, resulting in the rapid growth of the banking idea among the people.

The panic of 1873 came upon the State like a thief in the night, and a great number of her banks were compelled to temporarily suspend business. The loss to depositors was small, for nearly all of these institutions were reopened, many of them being reorganized with additional capital. The lesson of this memorable year was not lost upon the people, for it is from that time that the real prosperity of the banking system of Missouri may be said to date. The country recovered slowly from the conditions of depression and mistrust which the panic ushered in, and it was not until 1878 that a healthy growth of business for the banks again set in. Even these years cast a shadow upon our page, for they brought to St. Louis, the metropolis of the State, a reckoning which shook the conservative old French city to her very foundations. Banks had multiplied there very rapidly, largely savings banks, which attracted business by payment of a high rate of interest upon deposits. The failure of one of those banks caused a run upon the others. A period of liquidation followed, precipitated by the failure of the National Bank of the State of Missouri, with a capital of $2,500,000 and deposits amounting to $3,000,000. This bank had succeeded to the business of the Bank of the State of Missouri. The State had in 1865 sold its holding of stock to James B. Eads and associates, who had reorganized it as a national bank. Its large capital had endowed it with peculiar solvency in the eyes of Missourians. It continued to be the principal depository of the State of Missouri, and was a designated depository of the State of Illinois as well. But the policy of the new management had from the first been imbued with speculation, and in 1877 it passed into the hands of a receiver. Eads, with the managers, Britton, Bates, and Curtis, owed the bank about one million dollars. Many of the remaining assets were worthless, and the larger portion of the bank's holdings were of a speculative character. Depositors were paid in full, after an assessment upon the stockholders of twenty-five per cent. The affairs of the bank were so com-

plicated that they remained in the courts in one form or another for sixteen years. It was the most disastrous failure that has ever occurred in Missouri. A number of failures followed, principally among the savings banks of the city, many of which had small capital. The effect of these failures upon the city of St. Louis was to reduce the loans of its banks within sixteen months from forty-two millions to less than twenty-nine millions of dollars, and the number of banks from forty-six to thirty-two. Deposits decreased from thirty-eight and a half to twenty-seven million dollars, while the cash reserve had been maintained at nearly the amount held in the beginning of the crisis, or ten million dollars. The effects of this enforced liquidation upon the commercial interest of the city were severe in the extreme.

The tidal wave of depression did not affect the country banks, but spread to the growing town of Kansas City, where the failure of the First National Bank, in January, 1878, was followed by the failure of the Mastin Bank, bringing widespread ruin. Several minor failures followed, and the years of 1877 and 1878 were to St. Louis and Kansas City what the panic of 1873 was to the country banks — times which tried men's souls indeed — but when the mists and fogs had lifted, the air was purer than before. The elements of speculation had disappeared, and the management thenceforth, while losing nothing in efficiency, gained greatly in conservatism.

There are now six hundred and thirty-two banking institutions doing business in Missouri. Of this number four hundred and sixty are stock banks organized under the State law, eighty are national banks, and ninety-two are private banks and bankers. During the past five years the total number of banks has increased two hundred and fifty-three; the State banks have gained in number two hundred and ten, the national banks thirty-three, the private banks and bankers ten. The total assets of these banks now amount to more than two hundred and twelve

millions of dollars. The steady growth of capital and deposits is readily apparent from these figures, embracing returns from all banks, both State and national. In 1887, capital, $22,574,924, deposits, $98,748,780; in 1889, capital, $28,599,913, deposits, $118,969,331; in 1892, $45,439,205, deposits, $146,947,973. These figures show an increase of fifty per cent in deposits within five years, equivalent to an increase of ten per cent per annum.

Missouri contains within her borders three reserve cities, St. Louis, Kansas City, and St. Joseph, the first of these being now a central reserve city. In point of bank clearings St. Louis ranks fifth among the cities of the Union, while Kansas City has risen to the tenth place, and is making rapid strides forward. The business of these three reserve cities is transacted principally through the national banks. In the interior, however, by far the greater volume of business is transacted by State and private banks. To illustrate the growth of banks organized under the State law, let us examine the deposits of these institutions at various periods from the year 1879 to the present time; 1879, deposits, $26,171,462; 1882, deposits, $52,980,358; 1887, deposits, $62,520,161; 1892, deposits, $77,003,246.

From these figures, as well as from a table upon this subject recently compiled by the Comptroller of the Currency, it appears that a greater volume of business is transacted in Missouri through the State banks than through national banks. Of her sister States, this is only true of California, Wisconsin, and Kentucky.

The present State banking law was enacted in 1877. This provides for publication of statements, and makes the reception of deposits after knowledge is had of the failing condition of a bank a felony. Its provisions are also apparently restrictive in regard to bank loans, but as no bank examinations are provided for, occasional failures have demonstrated that the statute is disregarded. There is a growing feeling that the law governing the commercial banks is in need of revision. Bank examinations should

be provided for at frequent intervals, and the facilities afforded bank officials for borrowing the funds of their own bank should be reduced to such a point that bank officials would not become borrowers. There have been no recent failures among Missouri banks in which the bank officials themselves had not been large but insolvent debtors.

The banks under State control are five hundred and fifty-two in number, with aggregate liabilities of one hundred and seven millions of dollars. Over five hundred of these are country banks, with capital stock varying from five thousand dollars to two hundred thousand dollars. In a few instances the affairs of these banks are governed by competent boards of directors, but in general the entire responsibility of management is intrusted to the cashier or chief executive officer.

The change from the provincial banking of the early period has been rapid. The magnitude of the interests involved now demands that the State exercise an active oversight over their operations. During three several sessions of the Legislature bills have been introduced creating a bank department, and providing for bank examinations, but the bills have failed of passage. The people of Missouri, always conservative in legislation, have been slow in adopting new statutes, and have refused to do so until convinced, not only of their practical character, but of their actual need; and they have not yet realized their necessity of radical changes in the banking law.

The gradual reduction in the rate of interest charged by banks points to the fact that Missouri is rapidly acquiring sufficient capital to develop and move to market her own resources. The time is not far distant when the State will no longer be a borrower from the East, even for the purpose of moving crops to market. The country banks which sprang into existence during the years following the war found ready borrowers for available funds, at rates ranging from one per cent to two per cent per month. Many country banks maintained an average rate of eight-

een per cent per annum upon their loans at as late a period as the year 1875. The rate of interest charged by the Bank of the State of Missouri had been limited by statute to six per cent and eight per cent, the lower rate being charged upon short-time loans and the higher upon long-time loans, or for loans maturing in twelve months. Other banks, however, during the same period, were discounting notes at from one and one-half per cent to two per cent per month. The legal rate of interest has always been six per cent, but until 1891 the parties were permitted to contract for a rate not exceeding ten per cent per annum. From about 1876 to 1891 the maximum rate of interest charged was ten per cent per annum. In 1891 a new statute reduced the rate of interest by which parties might contract to eight per cent. Rates of interest were reduced in consequence, and time loans by the country banks are now made at seven and eight per cent, even at times as low as six per cent.

The country banks, while holding over eighty millions of dollars of loans and discounts, have but two millions of dollars of bills payable and bills rediscounted. A large portion of this amount is current indebtedness to the banks of the reserve cities of St. Louis, Kansas City, and St. Joseph. It is not too much to assume that the beginning of the twentieth century will find Missouri a lending community instead of a borrowing one. The real estate loans in many localities are already held at home. The school funds belonging to the various counties are largely loaned upon real estate security at six per cent. The gradual reduction in the rate of interest indicates that the time is not far distant when the loanable funds in the State will exceed the demand from individual borrowers and force idle capital to invest along new lines, as in manufacturing interests or railway shares. At the present time the surplus money of the farmers in the wealthier localities is invested in newer developed Western States, as in Kansas, Nebraska, and Texas, seeking employment both in the way of loans and

of investment in cheaper lands. As the loanable funds in the State have increased the banks have gradually eliminated real estate paper and long-time loans from their holdings. At first the banks of the Eastern money-lenders were the only resource when a loan was wanted; but the private capital in the State is now almost sufficient to absorb the real estate loans offered, and the banks are discounting shorter time paper and paper which usually represents a marketable product, as corn, wheat, cattle, hogs, mules, or horses, or, in the cities, mercantile loans. The amount of real estate paper held by the country banks is now less than their surplus funds, and is also less than one-tenth of their entire discounts. The banks are rapidly realizing that a real estate mortgage, however well secured, is not a "quick asset," and it can not be realized upon readily in case of financial disturbance. The banks of the reserve centers do not make advances upon real estate notes at all, and, as already noted, the country banks are gradually eschewing them. The loans made by the city banks vary in time from demand notes to three and four months' paper. The country banks, however, find that the calls made upon them for money at a shorter period than three months make but a small part of their loans. The farmers and stock-raisers, by far the larger class of borrowers, want money for from three to ten months. The smaller notes usually run the shorter time, as they usually represent an incidental demand. The loans in large amounts are usually to cattle-feeders or stock-growers, and the average length of time with these loans is probably six months.

Personal security is not so frequently offered now on large loans as in former years. The old-time practice of indorsing for one another brought bankruptcy upon many men in Missouri during the score of years which followed the war. The perfectly solvent man now does not often indorse paper for others, and will not willingly ask another to do so for him. In some instances the borrower can and does offer sufficient collateral to secure his loan. But the

country banks lend largely to the farmers and stock-raisers. The farmer's whole means consists chiefly of land, grain, and live-stock, unless he has himself money loaned out, in which case he is not often found a borrower. So as the farmer has no collateral, and does not choose to furnish a personal indorser, and the banker does not want real estate security, the banker must either take a single-name note or accept a chattel mortgage upon live-stock, or refuse the loan. In most cases, if the note is good when secured by chattel mortgage, it is good without. To find a number of chattel mortgages held by a bank is somewhat too suggestive of the pawnbroker's shop. Chattel mortgages too often represent the debtor's last hold upon personal property. It was said of the recent work of a bank examiner in a Western State (not our own Missouri) that he could better ascertain the bank's condition by looking up the collar-makers on the cashier's horses than by examining the books and vault of the bank, as the cashier seemed to spend a large portion of his time in the country looking after the condition of chattel mortgages. The thrifty farmer usually owns his land, and employs the money obtained of the banker in preparing for the market a single product, upon the sale of which the loan is paid. The loan can not become a continuous one, for there is no process of continual buying and selling going on. When the product is sold, the money is repaid. It has followed that the greater proportion of loans made by country banks are made upon single-name paper, backed only by the individual wealth of the maker. Its prime security consists of the fact that the note usually represents merchantable property on its way to the market, and that the loan is paid off before any further accommodation is expected. Short settlements make long friends, we are told, and in no class of paper is the old score wiped out entirely more frequently than in this.

A notable change in banking practice is the disappearance of the air of mystery which formerly surrounded its

operations. The time was when the bank manager occupied a "den" in the rear of the office, and was never seen unless especially called for. A customer who desired to borrow money found his way to this den, and told his wants with fear and quaking. He was especially careful that no one should suspect his mission. Even depositors sought this *sanctum sanctorum* at times with the secretive air of a person selecting a hiding-place for treasure. But at this day the operations of a banker are of as open a character as those of a merchant. On entering a Missouri country bank you will usually come face to face with the president or the cashier. Your business is stated with as little circumlocution as if you were buying a ticket at a railway office, and you are answered "yes" or "no" with the ready decision which comes to men whose judgment has been quickened by constant practice. The secrets intrusted to a bank are as jealously guarded as in earlier days, but the appearance of mystery has worn away. It is no longer a matter to occasion remark that you should have transactions with a banker whether you appear as a depositor or as a borrower. Instead, it would rather be thought strange if you did not have constant use for the banker's services, and frequent occasion to consult him.

This spirit of frankness which has grown up between banker and client has resulted in good in another way. It has borne fruit in a high spirit of commercial honor. Attempted fraud is very rare among the men who daily transact business at bank counters. Men fail in business, as they have done and will continue to do, and the banks must at times share the losses which their failures occasion. But commercial probity is beginning to be regarded as of more value than money. And even the men who fail in business honestly assign all their property to creditors, making no attempt at concealment, and rarely claiming even legal exemptions. Attachment suits are rare, and are more frequently brought by foreign creditors than by local banks.

Commercial paper is not yet placed upon the market through brokers to any great extent in Missouri. The better class of borrowers usually obtain all needed accommodations from a single bank. Their floating liability is small, and the well-posted banker is usually enabled to estimate closely the indebtedness of his clients, and to form an accurate opinion of the reliability and completeness of the statements furnished him. The losses which result are generally traceable to an attempt to do business on insufficient capital, sometimes to incompetency, but rarely to fraud.

The bankers of Missouri, I am proud to say to you, are not kite-flyers. The financial storms which are now raging with fury and disaster over the country have passed us by. We have builded on the solid rock, and it matters not how fierce the winds may blow, suspensions and failures in Missouri will be few, if indeed there be any at all. And as to the bankers of Missouri to-day, with superb confidence in the future of their State they are building their work upon strong and enduring lines, content to believe that the judgment of the future will assign them no mean place in the financial history of the nation.

The resources of Missouri are yet comparatively undeveloped. Her soil is rich and fertile. Ex-Speaker Reed says concerning it, if they had it back East they would sell it by the peck for seed. We offer special inducements, and welcome them to the enjoyment of our boundless advantages.

Missouri contains 40,586,355 acres. Its area is 68,735 square miles of land and 670 square miles of water. Five hundred and sixty miles of the State borders on the Mississippi River. It borders on seven States and one Territory. It has one hundred and fourteen counties besides the city of St. Louis. Forty-five counties are north of the Missouri River. Sixteen border on the Mississippi River and twenty-four on the Missouri River. Every county north of the Missouri River has one or more railroads. Fifteen counties

south of the river have no railroads. More than twenty of the cities have as many as four thousand inhabitants. Its population is 2,679,174, of which St. Louis has 455,000. The vote cast at the last presidential election was 541,583. It has 6,763 miles of railroad. These are owned by thirty-six different companies and employ thirty thousand men. I am told it contains in its mines bituminous coal enough to supply the world's demands for a thousand years. Most of the iron mines lie south of the Missouri River. Iron County contains a pure mass of iron two hundred feet high and covering two hundred acres of ground. In cereals, corn and wheat are most abundantly produced. The annual lead product of the State is thirty million pounds. In the amount of lead output Missouri is without a rival in the world. Two-thirds of the zinc product of the United States is mined in Missouri. Missouri has a larger school fund than any other State. It amounts to $11,551,147.33. Her assessed valuation for 1893 is about nine hundred and twenty-five million dollars. The rate of taxation for State purposes is but twenty-five cents on the one hundred dollar valuation, of which ten cents is for payment of our interest and reduction of bonded debt, five cents for public schools, and ten cents for the support of the State government. The bonded debt of the State is but $6,644,000, of which $5,300,000 bears three and one-half per cent and $1,344,000 bears six per cent. The constitution requires us to take in $250,000 of our debt annually, and it is estimated that in less than twelve years the entire debt will be obliterated.

With such resources as Missouri possesses, I think I can safely say that banking in Missouri, notwithstanding its rapid strides to the front in the past, is yet in its infancy. The future is full of promise for the bankers of the State.

BANKING AND RESOURCES OF NEBRASKA.

By H. W. Yates of Omaha.

WHEN we undertake to consider the banks and banking system of a State our attention is first directed to its resources in Nature's products, which must be the source of all wealth, and only makes possible a successful banking system. In connection with the subject some reference is also justified to the history of the State, its growth in population and wealth, and the agencies which have facilitated this progress. Such a breadth of subject would be impossible in old and long-settled communities, but in this New West of ours its history not only becomes pertinent to our subject, but needs no long paper to fully review it, for it is all comprehended in the life experience of a single individual from early manhood to middle age.

I find the following lines prefaced to an old History of Nebraska—for we have histories which we call old, although a decade of years may not have passed since they were published:

> Now let us climb Nebraska's loftiest mount,
> And from its summit view the scene below.
>
> * * *
>
> Behold the prairie, broad and grand and free;
> 'Tis God's own garden, unprofaned by man.
>
> —*Nebraska—A Poem, 1854.*

I have no idea as to the author of this poem, or how much more there was to it; but prior to 1854 no settlement whatever had been made in the country west of the Missouri River, the title being vested in the Indians, which was not extinguished until the passage of the act organizing the Territory of Nebraska.

The present citizen of the State will be puzzled to know what is meant by "Nebraska's loftiest mount," as the highest hills of which he has any knowledge are the bluffs along the Missouri River. The expression is explained, however, in this organic act, approved May 30, 1854, in which the boundaries of the prospective commonwealth include all the country north of the Kansas line, and west thereon to the summit of the Rocky Mountains, and thence north to the British Possessions, inclosing an area of 351,558 square miles, and including territory now embraced in the States of Colorado, Wyoming, Idaho, Montana, North and South Dakota. As our poet has it, all this country was unprofaned by man; the roaming bands of savages who traversed its length and breadth in pursuit of the herds of countless buffalo and other game being deemed no profanation, and poetic license also excusing the narrow lines constituting the trails over which the California emigration since 1849 had perseveringly worked its way from the Iowa and Missouri borders, and along which trails were numerous landmarks of dreadful memory, where Indian attacks, or want and privation, or disaster from floods and storms had done their pitiless work during the long and tedious journey of many months over this Great American Desert — as the maps of the period termed it. The limits of the Territory were subsequently reduced to its present boundaries, constituting it solely a prairie State.

The history of banking, from peculiar causes, commences with the civil existence of the Territory. The chief occupation of the early Legislature, composed largely of men from Iowa and Missouri — for the population was not at first sufficient to supply its required number of statesmen — was largely capital location and the chartering of paper banks and paper town-site companies. The banking resources of that period were founded upon a basis which still supplies ample capital for the enterprising adventurer — the gullibility of the public. The Territory came into existence at the height of the "wildcat and bob-tailed currency" times,

and the Nebraska settler who could raise sufficient money to obtain a charter and pay for the printing of his bank-notes had what would be termed in these times a bonanza. His paper town answered perfectly the requirements of his paper currency, rendering presentation for redemption extremely difficult, as it was not always easy to even find the town in which the supposed bank was located. The financial panic of 1857 put an end to this business, and the only record I have ever seen referring to the banking of this period is in the Comptroller of the Currency's last report to Congress. Under the statistics of State banks prior to 1863 I find the following: "Nebraska, 1857—four banks, capital, $205,000; circulation, $353,796; deposits, $125,291. Nebraska, 1858—six banks, capital, $15,000; circulation, $41,641; deposits, $3,673." And with one additional entry, in 1859, Nebraska disappears from these bank statistics until 1875. Governor Black, the third territorial Governor, in his message of 1859 has this to say of the financial situation: "It is a matter of bitter experience that the people of the Territory have been made to pass through the delusive day of high times and paper prices, and the consequent dark and gloomy night of low times and no prices. We have had our full share of the financial spasms which for two years have afflicted the great body of the American people. They are gradually passing away, but they will never altogether disappear until the producing causes are removed."

The producing causes of financial spasm must first be removed before prosperity and progress can again be the order of the day, but notwithstanding this bitter experience, history seems only to repeat itself, and there are now numbers of people in our State who are clamoring for "the delusive day of high times and paper prices," with no concern for what must inevitably follow, "the dark and gloomy night of low times and no prices."

By a census taken in 1855 the population of the Territory was 4,491. Assuming this as accurate—although it was

doubtless exaggerated — and taking the circulation figures of 1856, and it will be seen that the measure of the inflation at the time was eighty dollars per capita.

The population of the city of Omaha in 1861, when my residence began, was nearly two thousand, and the State had increased to nearly thirty thousand, but the banking resources were then of the most precarious character. No surplus was obtained from the soil, and business depended for a number of years upon the buying of gold-dust from returning miners, which was a lucrative business while it continued, and in the buying and selling or collecting of vouchers for Government expenditures, which were large on account of the constant necessity of resisting Indian aggressions and for the maintenance of those held under control. In those days of the war, Uncle Sam was not always well provided with money, and as his attention was then rather intently directed toward another locality, it often seemed as if this section of the country had been entirely forgotten, and vouchers often sold at a discount as low as fifty cents on the dollar. The mercantile business was almost confined to the furnishing of supplies or outfits for wagon-trains journeying across the plains, and while even then a business worth struggling for, it was an inconsiderable element in banking affairs. The completion of the Union Pacific Railroad in 1869 finally ended this mode of transportation, and during the construction of the railroad money became plentiful, and a tremendous impetus was given to the banking business in Omaha. I was intrusted with the duty of completing the organization papers of the First National Bank in 1863, and with the management of what business it could obtain prior to its being merged, in 1865, with the business of Kountze Brothers, by whom it was organized. This firm, whose name is now so well known as one of the leading banks of New York, and whose reputation for wealth, stability, and strictest honor is surpassed by none in the country, then transacted their banking business in a one-story 20 x 30 frame structure, standing

upon the ground now occupied by the four-story iron building of the Nebraska National Bank.

Including Kountze Brothers, there were two active banks in Omaha, three in Nebraska City, one in Brownville, and one in Plattsmouth, making seven in all in the Territory. A fading reminiscence of the wildcat times still continued in the Omaha and Chicago bank, which issued a few bills that were redeemed about as fast as issued. The bills of two other banks were also current, and were honorably redeemed by their owners — the Bank of Dakota City, by Kountze Brothers, and the Bank of Nebraska, by B. F. Allen of Des Moines, Iowa. The other active bank in Omaha was that of Barrows, Millard & Co., afterward Millard, Caldwell & Co., conducted by Ezra and Joseph H. Millard and S. S. Caldwell. Another bank was sometime afterward started by J. A. Ware of Nebraska City, who, however, remained in control of it for a brief time only. It became the State Bank of Nebraska, from which has been evolved the present Merchants' National Bank. The Millard brothers organized the Omaha National Bank in 1866, leaving the private firm to continue as Caldwell, Hamilton & Co., from which firm has been evolved the United States National Bank. In 1882, after nineteen years of service with Kountze Brothers and the First National Bank, I organized the Nebraska National Bank, and in 1883 Ezra Millard left the Omaha National Bank to organize the Commercial National Bank. From this it will be seen that six of the nine national banks now existing, possessing capital and surplus $3,652,000 of total aggregate $4,618,000 and deposits $16,500,000 of total aggregate $18,000,000, are offshoots of these original three banks.

If Omaha has cause to be proud of her banks the fact may be safely attributed to the conservative management and sound principles practiced by the founders of her banking system, which have been brought down from those early days and impressed upon the business of the present. The ending of the war, followed by the comple-

tion of the Union Pacific Railroad, the building into the country of that magnificent railroad system known as the Burlington, and also in the northern portion the Chicago & North-Western Railway system, caused wonderful changes in the condition of the country, and startling growth in population, which is shown as follows:

	Nebraska.	Omaha.
1860	28,841	less than 2,000
1870	122,993	16,083
1880	452,402	30,518
1890	1,058,910	140,452

The banking interests have kept pace with this growth, and instead of the entangled resources to which I have referred of the early days, they have now for their sound basis the natural products of a soil of infinite richness and variety, and apparently inexhaustible. Numbers of farms can be found near all the Missouri River towns which have been continuously cultivated for nearly thirty years with no apparent decrease in productiveness, and upon which no fertilizer has ever been used. To show what these resources are, I will quote briefly from the report of the Bureau of Labor and Industrial Statistics for the year 1892. The total out-shipments of commodities for the year 1891, called in the report "Nebraska Surplus," were $117,496,403. The summing up, however, includes manufactures and other items with which there may be some duplication. I have culled and collated from the report what I think will be more satisfactory, which is the actual out-shipments of the chief staples.

The figures were obtained in special reports received from every railroad station, and the report states "that in placing a valuation on the different commodities, great care has been exercised to avoid excessive figures. A carload of cattle, for instance, constitutes twenty head, hogs sixty head, and horses and mules twenty head. A carload of cereals or other commodities is as follows: Corn, wheat, rye, barley, seeds, and potatoes, five hundred bushels per car;

oats, one thousand bushels per car. The prevailing home market price applied, and thus a correct estimate obtained."

The summary is as follows:

80	Counties marketed	380,100	head	cattle	$15,204,000
75	" "	1,431,540	"	hogs	11,452,320
69	" "	18,940	"	horses and mules	1,894,000
53	" "	195,680	"	sheep	733,800
80	" "	9,821,000	bushels	wheat	8,347,850
72	" "	24,295,500	"	corn	6,073,875
67	" "	11,928,000	"	oats	2,982,000
45	" "	438,000	"	barley	197,100
27	" "	336,500	"	barley and rye	218,725
65	" "	803,500	"	rye	642,800
65	" "	1,354,000	"	flax	1,760,200
59	" "	469,350	barrels	flour	2,065,140
71	" "	175,158	tons	hay	875,790
	Total				$52,447,600

The price, it will be noticed, is not that obtained in Chicago or in Omaha, but what is realized by the producer at home. It is also apparent that these figures by no means represent the crop produced, but only that portion sent away. Only a small portion, for instance, of the corn produced is shipped away in that form — it is largely retained at home for the fattening of cattle and hogs.

The crop for 1892 is reported by the secretary of the State Board of Agriculture as follows: "Nebraska is now the third State in the production of corn; yield, 157,145,000 bushels; value, $44,000,000. Fifth in the production of oats; yield, 43,131,000 bushels; value, $9,920,128. Twelfth in the production of wheat; yield, 15,670,000 bushels; value, $7,834,775. Total for three staples, $61,754,903. Cattle, hogs, horses, etc., would increase this to $100,000,000. Only a brief consideration of these figures is required to show that the financial condition of the Nebraska farmer can not be a bad one. On the contrary, his condition is exceptionally favorable and strong, and will be so demonstrated in our bank statistics. A great deal is heard of the farm mortgage indebtedness in our Western States, and the

figures named are alarmingly large. So far as applied to Nebraska, I have no hesitation in saying that if the aggregate were double what it really is, the Nebraska farm mortgage would continue to be one of the soundest securities obtainable, and for the reason that the income-producing value guarantees the value of the principal without an element of speculation in the transaction. Of course ordinary good judgment must be used in the placing of these loans, the same as demanded in every department of credit transactions. The excellent crops of 1891 and 1892 would have enabled the Nebraska farmers to pay off their entire mortgage indebtedness with no great strain upon their bank accounts, and as a fact many were so liquidated. But other factors have entered into the question which have tended to maintain the volume of farm indebtedness.

There still remains in every portion of the State large tracts of wild and unimproved land, equally as good as the producing tracts, and the purchase of this land constitutes a constant temptation to the farmer. It often occurs that the products per acre in any one year will buy an acre of good land near by or adjoining. The amount realized, even at the low price for cereals in 1892, frequently amounted to twenty dollars or more per acre, and while in some favored localities land may bring from thirty to forty dollars per acre, any amount of good land can be obtained at from ten to twenty-five dollars per acre. The raising of cattle and hogs shows even better results. This source of revenue has become so extensive that a prairie suburb of Omaha of only a few years ago, from the establishment of large packing-houses, has grown to be a city of fifteen thousand people, and its business some time since reached the position of the third largest packing center in the United States, and it will at no distant day become the second largest. With this showing it is also evident that only two things are needed to give to the Nebraska farmer all the advantages to which he is entitled.

First. The maintenance of some currency system. This

will not only guarantee to him full value for his products, which are gold the world over, but as a borrower it will give to him the benefit of the lowest interest rate, for his securities are of a character which demand this. *Second.* Encouragement to the construction of railroads, for we are by no means fully supplied with them, and fair treatment in the law governing their operation. In this manner competition would give him the lowest freight rate attainable, and the railroad prosperity would be reflected in his, just as in the past they have so largely contributed to making possible the results I have already given.

In both of these respects political demagogues, who have only their own interests to serve, have endeavored, and with considerable success, to inculcate the idea that the best way to obtain cheap capital is to destroy capital investments, and that legislative war upon railroad corporations is the best plan to obtain low rates. But the better class of farmers are naturally students, and in time we may expect the same sound and settled conviction to prevail with them as prevail with their class in all the older States.

Having thus briefly sketched the resources of the State from a period thirty-eight years ago, when its productions were not worth estimating and its population was less than five thousand, to the present time, when its products will realize a hundred millions and population over one million, I will close this paper with some bank figures. As showing the growth in the most striking manner, I will select two banks in Omaha, which from their age are entitled to special mention. The First National Bank, organized in 1863, had by its report in April, 1865, capital, $50,000; deposits, $21,140. The same bank September 30, 1892, had capital and surplus, $600,000; deposits, $4,461,295. The Omaha National Bank, organized in 1866, had October 1, 1866, capital, $50,000; deposits, $120,115; September 30, 1892, it had capital and surplus, $1,145,000; deposits, $5,465,384. The capital and deposits of all the banks in Omaha are as follows: National banks September 30, 1892, and

State banks November 5, 1892; nine national banks, capital and surplus, $4,618,000; deposits, $18,196,427; ten State and savings banks, capital and surplus, $798,318; deposits, $4,019,413. Total capital and surplus, $5,416,318; deposits, $22,215,840.

The Omaha Clearing House Association was organized in 1884, and its annual clearances have been as follows: 1885, $51,428,609; 1886, $82,690,570; 1887, $137,220,534; 1888, $166,007,003; 1889, $201,250,166; 1890, 245,062,456; 1891, $221,128,895; 1892, $272,939,692. Omaha is a reserve city for national banks.

The city of Lincoln came into existence by an act of the Legislature at its first session under State organization, in 1866–67. So soon as the State buildings were ready for occupancy, the seat of government was removed there from Omaha. Its banking history commences, like that of Omaha, from the beginning of its civil existence. The First National Bank, organized in 1871, is the only remaining bank of those started at an early day, and evidences the following remarkable growth: April 19, 1872, its report showed capital, $60,000, deposits, $126,652; September 30, 1892, capital, $500,000, deposits, $1,952,518. The capital and deposits of all the Lincoln banks in 1892 are as follows: Six national banks, capital and surplus, $1,607,000, deposits, $4,324,324; six State and savings banks, capital and surplus, $275,000, deposits, $1,007,933. Total capital and surplus, $1,882,000, deposits, $5,332,257.

The Lincoln Clearing House Association was organized in 1890, and annual clearances since have been as follows: 1891, $28,025,011; 1892, $33,805,343.

Lincoln was made a reserve city for national banks March 6, 1893. There are a number of other flourishing cities in Nebraska, whose aggregate figures sum up largely, but for fear of making this paper too long I limit this special reference to the two reserve cities of the State.

The total capital and deposits of all the banks in the State are as follows: Omaha, capital and surplus, $5,416,318,

deposits, $22,215,840; Lincoln, capital and surplus, $1,882,000, deposits, $5,332,257; 128 other national banks, capital and surplus, $11,029,092, deposits, $21,553,790; 497 State and savings banks, capital and surplus, $11,186,427, deposits, $20,088,847; total capital and surplus, $29,513,837, deposits, $69,190,734.

It is almost impossible to comprehend this marvelous growth, all occurring within the business experience of a man who would not be called old. The query naturally arises, Can this progress continue? In my judgment the substantial growth of Nebraska has scarcely commenced. Everything is yet new; in the older settled portion of the State there is still abundant room for expansion, and in the newer settled portion the population has scarcely made an impression upon the face of the country, the cultivated lands being few and far between. Still further impetus will be given by the construction of irrigating ditches through the arid portion of the State, where the lands are of the richest, and only need water to become immensely productive. Numbers of these canals are now being constructed, and in this one word "irrigation" large possibilities for the future are presented. The world is amazed at the wonderful city of Chicago, itself a greater and more marvelous showing than even its great Exposition, which in its vastness and grandness sinks into insignificance all similar enterprises in the world's history. It is difficult to comprehend the source of so much wealth, until the resources of the country tributary to her are investigated; then all is plain and easily understood. Chicago is simply a type of our Western growth and progress; and she belongs to us all; but west of her other cities are growing, which will be the Chicagos of the future, and conspicuous among them at this time is the metropolis of the State which I have the honor to represent upon this occasion.

BANKING IN NEW MEXICO.

By Jefferson Reynolds of Las Vegas.

BANKING in New Mexico differs materially from that in most of the States and Territories, because of the peculiar local conditions. The native Mexican people are unacquainted with banking rules and regulations, and have been accustomed to the greatest amount of indulgence from merchants, who charge unusual prices for goods and expect to carry their customers from year to year. Since the arrival of railroads and the advent of more Americans into the country these conditions are gradually changing. It is difficult to get legislation enacted, for the reason that the majority of the legislators are opposed to any new departure from the old-established customs. The matter of collateral security on loans is not understood by the native population, and the character of the business of the country prevents banks from getting the class of collaterals usually handled by banks in other sections of the country. Chattel mortgages on sheep and cattle are a common class of security, but individual indorsements of responsible parties is the usual security obtained. The legal rate of interest in New Mexico is twelve per cent per annum.

Many of our best bankers think a more liberal law, making any rate of interest legal that is named in a contract, would be the best means of inducing capital to come into the Territory. At present we are overshadowed by the very liberal laws of Colorado and California, where any rate of interest is legal named in the contract. The result in both these States proves the truth of this proposition, as the rates of interest in both on good security is much less

than in New Mexico, the idea being that liberal laws, inducing the influx of capital, in time reduces the rate to a supply and demand proposition, the same as in other legitimate business. Speaking of liberal laws brings us to consider the very unliberal laws that now exist upon the statute books and by custom in regard to banking. In a recent number of the *American Banker* the following appeared:

While legislation to protect nearly every vocation seems to be readily obtained in the legislative halls of both State and nation, there is one class of business that is left wholly unprotected. Laws without number have been passed to protect depositors and stockholders of State and national banks, but our law-makers seem to forget that a double protection in this line would be of more advantage than a protection of the one class. The laws are wise so far as they go, for they require rigid examinations, adequate bonds from the officers, limitations in regard to loans both as to quantity and quality, published sworn statements, and liability of bank directors personally if they fail to attend to the duties of their office. But as yet no law has been put upon the statute book to protect the banks themselves. In times of stringency every bank is at the mercy of a mob, for it does not stand to reason that these institutions pay interest upon deposits and tax upon their own capital and leave the money in the vaults.

Now when money is close they are compelled to carry their customers, who have furnished them with ample security, until the clouds move away. It is in such times as this that laws for their protection are most needed. It is true that savings banks are to some extent protected by their chartered rights to take a certain time upon deposits if necessity requires, but this kind of protection injures their credit and is apt to ruin their business.

Private banks, no matter how solvent, can only protect themselves by a compromise with their creditors, which is a hazardous and doubtful experiment. National banks have absolutely no protection, as under the national banking law, no matter if their assets are double their liabilities, a failure to have currency on hand for a single deposit or liability compels them to shut their doors and turn over their bank to the national servants of the banking department. This is absolutely worse than no protection, for it takes the business absolutely out of their hands, and assets are sacrificed and fixed charges are charged, and it many times occurs that they use up nearly the entire capital of an institution in red tape, expenses, and costs. This accounts for the many recent failures in that line. Many of the national banks that have been compelled to shut their doors have been perfectly solvent, with capital unimpaired, and it is for this kind of an institution especially that we would ask protection.

A law should be passed fixing a limit to the amount that could be drawn in any one day from an institution by the depositors, and also arrange that when such institution takes advantage of the limit they may immediately send for the bank examiner to carefully examine their condition. If found solvent and their assets amply sufficient to pay all liabilities, the State or nation, as the case may be, should come to their protection and see them through. It would be unnecessary for any large drafts upon the treasury of the State or nation, as that kind of protection would satisfy the most technical among their customers. This is a matter worthy of attention and thought at the present time, and would entirely obviate the feeling of distrust that pervades at this season of the year when money is close.

Surely a law of this nature would be a great blessing to the country banks in times of great stringency in currency, as the custom of issuing clearing-house certificates is to banks in the large cities.

I do not presume that an address on the silver question properly comes under the head of banking in New Mexico, and yet, situated as we are, midway between Colorado and Old Mexico, the same mountain ranges bisecting our country, we are greatly interested in a solution of the problem. We believe as the wealth of the world was built upon the use of both metals, nothing but an increase of gold equal to the withdrawal of silver would be rational. This being impossible, is not silver the next best thing to use? The area of New Mexico is over one hundred and twenty-two thousand square miles, being larger than all New England, New York, and Pennsylvania combined.

We have twenty-four banks in the Territory, ten national banks, twelve private banks, and two savings banks, representing a capital and surplus fund of $1,452,000. The annual wool sales amount to over eight million pounds. The total product of gold, silver, lead, and copper is estimated at from two million five hundred thousand dollars to three million dollars. When the storage of water in reservoirs for irrigation is properly under way the agricultural and horticultural products will be enormous. The latent resources of New Mexico offer many attractive opportunities for capital.

BANKING AND RESOURCES OF OHIO.

By Thomas H. Wilson of Cleveland.

THE people of Ohio have long been accustomed to speak of their State as the third in the Union. The last census, however, relegated Ohio to the fourth place, and for many years to come we shall have to content ourselves with shadowy conceptions of what was or may be rather than with the more substantial *is*, Illinois having advanced to our seat by virtue of the unparalleled growth of this great city, and, as a paper-fact at least, she is destined for the second, if not the first place.

Although fourth in population, and only twenty-fourth in area, Ohio ranks first in receipts for school purposes, quarry products, and manufacture of agricultural implements; second in railroad mileage and tonnage, petroleum, and iron and steel manufactures; third in capital employed in railroads, bituminous coal mined, and amount of wheat grown; fourth in value of live-stock and real estate, in printing and publishing, and in tobacco raised; and fifth in the production of hay, corn, oats, number of horses and cows.

Ohio descends to the fourth place in population with the best possible grace. We are still proud of her history and of our citizenship in a great State which, although it has in the last half-century contributed a million and a quarter of her sons and daughters to people the States of the farther West, has a population of nearly four millions. Of those we have sent out we have no cause to be ashamed. In business circles you will find them among the most successful; in the learned professions characterized by deep erudition and liberal views; in public life worthy representatives of a progressive and enlightened people; and in

the executive chair typic Americans, the embodiment of the nation's dignity. The born-in-Ohio man is to be found wherever manhood is most sought, and invariably he proves equal to the demands made upon him, else he belies his birth. We would not arrogate undue eminence for her living, nor unwarrantably laud her dead, neither would we dissemble their just merits that we may be accredited with modesty. Justly claiming our own in the intellectual achievements of our common nation, our posterity will have a heritance second to none; and of our material state, in a country so vast, with climate so various, industries so diversified, and resources illimitable, Ohio, we dare aver, holds parity with the greatest.

But leaving further generalizations, we will consider briefly the subject assigned, "The Banking System, Resources, and Finances of Ohio."

At the first session of the Legislature of the State, 1803, a bank (so called) was chartered under the name of the Miami Exporting Company. Its main purpose was to facilitate trade, then "suffering under a great depression," and banking, if purposed at all, was a secondary consideration. It was chartered for forty years, with a nominal capital of five hundred thousand dollars, divided into shares of one hundred dollars each, of which "five dollars of each share shall be payable in cash at the time of subscribing, and forty-five dollars in such kind of produce and manufactures as the president and directors will accept and receive, and at such times and places as they shall appoint, between the time of subscribing and the first day of March next thereafter, and the remaining fifty dollars shall be payable in produce and manufactures, as aforesaid, at such times and places between the last day of July and the first day of March next following, as the president and directors shall point out; and it shall be the duty of the president and directors yearly, in the month of June or July, to publish in one or more of the most convenient newspapers the kind and probable quantity of produce and manufact-

ures that will be received, and also the times and places of delivery; and it shall also be the duty of the stockholders to give notice in writing, at the company's office, on or before the first day of September following, what kind of produce and manufactures, and the probable amount thereof, they will deliver." It issued bills and redeemed them, not in specie, but in the notes of other banks. Although *de facto* a bank with banking powers, its creative act will be searched in vain for any grant, express or implied, of banking privileges. It contains no language which, honestly construed, would bear such interpretation, and if it ever possessed banking powers *de jure*, they were conferred by the act of 1816; but as the Exporting Company claimed it never accepted the terms of that act, early Ohio history furnishes the anomaly of an institution doing a banking business without authority of law and in the face of heavy penal statutes, without question, until 1844, its life having expired by limitation the year before and its active existence some time previous. The Bank of Marietta and the Bank of Chillicothe were chartered in 1808 as banks, and, properly speaking, were the first in the State.

The War of 1812 laid a heavy hand upon the West, but with the Treaty of Ghent came a revival of commercial activity. Excessive importations were made, banks increased in all parts of the State, and supplied a circulating medium exceedingly abundant. Money seemed plentiful, many improvements were projected, and speculation ran riot. The quick pulse of gain throbbed universally, but it was a feverous pulsation, and presaged early decay. Individuals became cramped when payment was demanded, and the excessive issues of the banks were beyond their ability to redeem. Depreciation followed. Branches of the Bank of the United States, chartered by Congress in 1816, were located at Cincinnati and Chillicothe in 1817, and had much to do with hastening the decline in State currency by their issuance of convertible paper in considerable amounts, and by allowing State currency to accumulate in their hands and

then present for redemption. This tended to test the solvency of the State banks, and their currency went lower and lower, until much of it was worthless.

In 1816, while confidence in the State banks was still unabated, schemes were devised to prevent their increase and to bring revenue to the State. The great banking law was passed, creating twelve new banks and extending the charters of such existing ones as would accept its provisions. It required that each bank should set apart to the State one-twenty-fifth of its capital stock. On this regular dividends were to be paid, and at the expiration of the charter one full twenty-fifth part of the property vested in the State. No provision for payment was made, except that each bank should annually set apart a sufficient amount from its profits to cover this twenty-fifth part at the expiration of its charter; that is, they were to give it to the State and pay for it themselves. The consideration for this enforced liberality was the extension of the charters of all the banks accepting the provisions of the act until 1843, also exemption from State taxation, and a sort of implied promise that they would have a monopoly of the banking business during the term of their charters. But this was not definite. The scheme was not a good one, for the State was loser when a bank suspended, and in 1825 the State stock was returned and a tax levied on all dividends.

The evils sequent upon the abnormal activity incited by the return of peace and the increase of State banks were attributed by many to the influence of the Bank of the United States, and in 1819 the Legislature of Ohio imposed a tax of fifty thousand dollars on each branch in the State. The constitutionality of the bank was not seriously questioned, however strongly condemned on the ground of policy, but the belief in the power of the State to tax was almost universal and persistently asserted. The history of the attempt at collection, the levying upon "specie and bank-notes," the consequent arrests and litigation, and the final determination in 1824, adversely to the State, by the

Supreme Court of the United States, is too well known for recital. The belief of many remained unchanged by the adjudication, but the State as a whole "exhibited an example of dignified and unconstrained submission to the judgment of that high arbiter." Before the decision was rendered, however, she attempted to retaliate against a possible adverse termination by enacting a law withdrawing from the bank the aid of the State courts and officials in collection of its debts and the protection of its rights, and endeavored to secure an amendment to the constitution ousting the Supreme Court from jurisdiction of the case. The latter failed, and the law withdrawing State aid was repealed.

At the close of 1816 there were twenty-one banks, with a capital stock of $2,000,000; in 1835, twenty-four banks, with a capital stock of $6,000,000. From this time there was a rapid increase, due, in part at least, to a mania engendered by General Jackson's attack on the Bank of the United States. In 1837 there were thirty-two banks, with a capital stock of over $9,000,000 and loans of $18,000,000. A further increase was shown in 1840. All suspended specie payment in 1837.

The craze for State banks, without adequate provision for the redemption of circulating notes, which had been indirectly encouraged by President Jackson and the party in power, aided by the "specie circular" of 1836, brought as aftermath the panic of 1837, and the widespread and continuing distress consequent is well evinced by the fact that at the beginning of 1845, in Ohio, only eight banks, with a capital stock of but little over $2,000,000, deposits of but $500,000, and loans a little short of $3,000,000, remained. No clearer proof of the distress prevailing could be asked than the fact that in the short space of seven years there had been a contraction of loans amounting to $15,000,000, or eighty-three per cent of the total amount of loans held by the banks in 1837. Mr. Sumner's comparison of President Jackson's management of the

finances to a monkey's regulation of a watch may not have been entirely inappropriate; he certainly did the "smashing."

The year 1845 marks an era in Ohio banking, for then a new system of banking, known as the "safety fund system," was introduced, and under the same act an "independent bank system," requiring either United States or State of Ohio stocks to be deposited with the State treasurer as security for the circulating notes. Under this act the State Bank of Ohio, with a capital stock of $6,150,000, on the safety fund or New York system, and a number of independent banks soon sprang into being. Under the law the people were furnished with sound currency, and bill-holders were protected. The banks created a feeling of confidence, and their security was not seriously questioned. The author of this law was the Hon. Alfred Kelley, a man not widely known in his own time, nor in his own State, where he was long honorably prominent, appreciated at his true worth. In the preparation of the law, which is in the same form substantially as drafted by him, and in his successful advocacy of it, he manifested a high order of ability. The report submitted with the bill gave the principles governing it, to wit: "The establishment of banks which will furnish them (the people) with a safe and convenient currency, afford reasonable facilities for obtaining money to meet the wants of commercial and manufacturing operations, and at the same time hold out proper inducements to those who have money to invest in banking institutions." The report follows with discriminating criticisms on the different methods of banking then obtaining, the dangers of which were carefully avoided in the bill presented for legislative consideration. The banks organized under this law commanded general respect, and the highest encomium that can be given it and the work of Mr. Kelley is the fact that nearly all of the material provisions of the Ohio law, allowing for the different situations, were incorporated into the national banking act, and so closely was the model fol-

lowed that great similarity exists, even in the phraseology of the acts, as will appear by comparison.

Mr. Kelley's ability was versatile, and although it is a digression to thus publicly acknowledge a part of the indebtedness due a man most intimately associated with the finances and best legislation of the State, we think it is eminently proper and but an act of simple justice to the memory of a man little deserving of the neglect it has received. In 1818 he introduced into the Ohio Legislature the first bill, probably, ever offered for the abolishment of imprisonment for debt. Defeated, but strong in his conviction that his endeavor was just, he predicted that "the time would come when the absurdity as well as inhumanity of adding oppression to misfortune would be acknowledged." While in the Senate, he instituted a new revenue system for the State. He showed that the inevitable end of the old system was bankruptcy; that to require all the real and personal property in the State to bear a portion of the public burden, according to its true value, is the only just and equitable mode of taxation. During the debates on the bill much bitter feeling against banks, bankers, and banking found vent, and schemes for repudiation and other hair-brained hobbies were advanced. When finally passed, March 2, 1846, it provided that all property, whether real or personal, within this State, and the moneys and credits of persons residing therein, except such as were thereinafter expressly exempted, should be subject to taxation; and such property, money, and credits, or the value thereof, should be entered on the lists of taxable property for that purpose, in the manner prescribed by this act. That a law fraught with so great and immediate benefits should bring so much adverse criticism upon its author now seems to us strange, but it was associated with the banking law of the previous winter, and such phrases as "the plunder law," "Kelley's swindling shops," "the tax law failure," etc., were heaped upon him. A paper having the euphonious title *Tax Killer* was particularly vituperous in its abuse.

Yet the law stood the test, and its principal features were embodied in the constitution of 1851. It has not been faithfully administered at all times, yet it reduced the debt, supplied the State with funds plentiful, gave enduring credit, and, despite abuse, stands a fitting monument to the wisdom of its author.

Mr. Kelley was also instrumental in drafting the bill to provide for the internal improvement of the State of Ohio by navigable canals, and in securing its passage, and immediately thereafter was made chairman of the Board of Canal Commissioners. The material benefits following the completion of those vast internal waterways were almost beyond measure. They facilitated intercourse between the different parts of the State, united the people, attracted population, and in their day "made the name and character of Ohio well known throughout the civilized world as a name and character of which her sons may well be proud." They have played a leading part, not only in the development of the State, but in her finances. From inception to completion Mr. Kelley was associated with the work. Ten of the best years of his life were given to them, and the labor was laid down only when his health, impaired by exposure and overexertion, necessitated it. Great as were his services in this respect, they pale into comparative insignificancy before his services as canal fund commissioner.

In March, 1841, Governor Corwin appointed Mr. Kelley as one of the fund commissioners. The State was embarrassed; the bonds could not be sold, and, as a matter of self-preservation, the commissioners had been borrowing from the interest fund of the original canals to meet pressing obligations created by improvements undertaken upon the successful completion of the original work. The year previous one of the commissioners had been to England to negotiate the sale of bonds, and with difficulty secured small assistance. Nothing further could be had from that source. A critical point had been reached in the finances

of the State. It seemed impossible to secure money to meet the obligations maturing. The situation of affairs generally added to the embarrassment of the State. The General Government could not meet the demands that were being made upon her treasury. Mississippi had repudiated a part of her debt, and several other States had failed to pay the interest on their debts. The spirit of irresponsibility said "repudiate"; unreasoning hostility to all corporations and to all creditors of the State said "repudiate." Creditors, mistaking the noisy clamor of the few as indicative of the purpose of the majority, became frightened. The treasury was empty, obligations were maturing, no relief was offered or attempted by the General Assembly. public credit was gone, State stock could not be sold at any price, could not be pledged for advances. Money could be had on nothing but personal security. It must be had or repudiation would be forced upon the State. This was the supreme struggle; its achievement was the crowning glory. With disinterestedness that buried self, Mr. Kelley set himself to the task. Incurring all the risk, with no promise or prospect of indemnity, without compensation, and in the face of untold difficulties, enhanced a thousand-fold by the atrocious machinations of enemies, in a city where no one could be found who would intrust "the sovereign State of Ohio with a dollar," he secured nearly a quarter of a million on his own personal security, and saved Ohio from the disgrace of repudiation.

The sentiment of the people of Ohio early manifested itself as unfriendly to banks. The legislation was shifting, with no well-defined policy except hostility. In 1815 a tax of four per cent was placed on all dividends, but this was nullified by the act of 1816, by which one-twenty-fifth part of the capital stock went to the State. In 1825 the State stock was returned, and in lieu thereof a tax of two per cent placed on all dividends up to 1825, and four per cent thereafter. In 1831 it was increased to five per cent. In 1839 inquisitorial bank commissioners were appointed. In

March, 1851, came the "free banking" act, and in June of the same year ratification by the people of the present constitution, Sec. 7, Art. XIII of which provides: "No act of the General Assembly authorizing associations with banking powers shall take effect until it shall be submitted to the people at the general election next succeeding the passage thereof, and be approved by a majority of all the electors voting at such election." This has been construed by the Supreme Court of Ohio as applying only to banks of issue, and by so construing it the court most effectively removed one unfriendly inhibition of our constitution. The articles proposed for submission to the people, and argued to the constitutional convention, were numerous and diversified. There was a strong and able element unequivocal in its denunciation of all banks of issue, and the hard-money men were persistent. The discussions were earnest, at times even acrimonious.

In 1852 a tax law was passed which, under a forced construction, fell crushingly upon banks and threatened the destruction of the moneyed institutions of the State, but it would not stand. Sec. 60 of the act of 1845 provided that banks chartered in pursuance thereof might "set off to the State (semi-annually) six per cent on the profits, deducting therefrom the expenses and ascertained losses of the company for the six months next preceding, which sum or amount so set off should be in lieu of all taxes to which such company or the stockholders would otherwise be subject." The State courts in passing upon the constitutionality of a tax law of 1851 held that this section of the act of 1845 did not constitute a contract between the banks created thereunder and the State, and that the manner of taxing could be changed and the rate increased. The Supreme Court of the United States reversed this; consequently, in so far as the tax law of 1852, which contained a provision similar to the law of 1851, conflicted with the section above quoted, it impaired the obligation of contracts, and was therefore void.

In 1892 the capital stock of the national banks was $43,797,000; state banks, $6,492,605; savings banks, $1,896,575; and private banks, $3,665,282, and the total of capital, surplus, profits, and deposits, as estimated by the Comptroller, was $254,000,000. There were also seven hundred and twenty-three building and loan associations, with assets aggregating $59,000,000.

Taxation for State purposes has been imposed in a variety of ways in Ohio. The territorial method, which was adapted from the statutes of Kentucky, provided that each one hundred acres of unimproved land, prairie or woodland, should bear a tax of thirty, twenty, and ten cents respectively, accordingly as it was first, second, or third grade, and this classification was to be based upon the quality, "that is to say, first, second, and third rate, taking into view the surface of the earth as well as the quality of the soil." This was continued after admission as a State, and in 1816 it was enacted that "so long as the United States shall demand direct tax from this State, and the same shall be paid out of the treasury of this State," and exceeds a certain specified proportion, the rate per one hundred acres shall be three dollars and seventy-five cents, three dollars, and two dollars, according to the grade. In 1825 a more comprehensive scheme was adopted, and in 1826, for State purposes, a tax of one and one-half mills on each dollar of the value of all property entered on the grand list for taxation was imposed.

From 1825 to 1834 the great canals (Ohio and Miami) were constructed, at a cost of nearly six million dollars all told. About the time of their completion numerous railroad and turnpike companies were chartered, and became clamorous for State aid, and in 1836–37 the Legislature passed a law providing that "when one-half the stock for a turnpike, or two-thirds that of a canal or railroad, shall be taken by individuals," the work approved by the Board of Public Works, etc., the State shall subscribe for the remainder of the stock. When the great canals were commenced in 1825 the finances

of the State were regulated to meet the obligations created. To the payment of the interest and amounts borrowed the net tolls of the canals were pledged, and the rents and profits appertaining to the privileges connected therewith; forty thousand dollars out of the money then in the treasury, thirty thousand dollars out of the revenue for 1825, and a tax levied on all property sufficient to meet the deficit, if any. In 1828 the tax was to exceed the interest by ten thousand dollars; 1829, twenty thousand dollars; 1830, thirty thousand dollars; 1831, and for three years succeeding the completion of the work, forty thousand dollars; and thereafter twenty-five thousand, "until the fund formed by the additional amounts shall be sufficient to redeem the principal of the loans as they mature." These provisions were extended to subsequent loans for canals and other purposes. They gave high credit, and many new improvements were projected, more or less wisely. Then came the stringency of 1837 and 1839. Immense outstanding obligations, no returns, stocks unsalable. We have seen how the canal fund commissioners, Mr. Kelley at their head, met the difficulty temporarily. In 1837–38 a few of the far-sighted members of the Legislature had endeavored to stop the tide of debt creation, the loaning of the State's credit to railroads, etc.; but the dictates of prudence were unheeded in the presence of local interest, and only when seemingly inevitable ruin stared them in the face would the majority listen to reason. In the closing hours of the session a bill affording partial relief was gotten through the Legislature. A revision of the revenue system was obviously necessary, and to cure the evils it must be radical. Mr. Kelley had been engaged upon this work at the same time he was preparing the banking law of 1845. The report submitted by him, as chairman of the committee, pointed out the defects of the old system, gave the remedy, and a bill covering the ground was passed March 2, 1846, to the great betterment of the revenue. The funded debt of the State in 1892 was $2,041,000; irreducible debt, school and college fund, $4,600,000; and the taxable values, $1,731,256,550.

A complete review of the laws pertaining to banking and taxation would afford an excellent illustration of the capriciousness of that "great compound of folly, weakness, prejudice, wrong feeling, right feeling, obstinacy, and newspaper paragraphs which is called public opinion." They have tended to abolish and restrict rather than to use properly, and exiled much Ohio capital, and the limitations now imposed by the constitution are excessive. To supply casual deficits, or failure in revenue, a debt of $750,000 may be created, and no more, "except to repel invasion, suppress insurrection, defend the State in war, or to redeem the present outstanding indebtedness of the State," and no debt may be created for internal improvements. A wise provision is the prohibition placed upon the loaning of the State's credit to private enterprises, or of becoming a stockholder or joint owner in any such enterprise. The specifications as to what shall be taxed are exact and comprehensive, and the laws passed in pursuance thereof, as to personal property, and the blanks furnished for returns, are inquisitorial, and to escape or undervalue, expatriation or perjury is necessary. The end too frequently is called upon to justify the means, and this plausible platitude has had much use in the gathering of public revenue. When burdens were heaviest the people, "anciently," were wont to resort to lotteries to replenish the public purse, and perchance their own. When the immorality of such method was not seriously urged against it, we note with satisfaction that the territorial Legislature of Ohio, in 1799, stamped its seal of disapproval upon this demoralizing and ruinous mode of gambling, by courtesy sometimes called taxation, and with but a temporary deviation the interdiction thus early decreed has been adhered to.

I have so far departed from the text that time forbids returning. The few facts adduced relate to matters to me the most interesting. A detailed recital would require a volume, and a clear exposition of the policy of the State during its formative period can not be given, for much that

was done was without definite policy. Make-shifts found a prominent use, as they have in all new countries. Visionary schemes were constantly being presented and hobby-horsically adhered to by their advocates, as they are in all free countries. But the financial despond engendered by this vacillancy brought to the front a man capable of gathering up the chaotic remnants of mistaken policy and of forming them into a well-defined and consistent purpose. In this he was not without able coadjutors, but his was the mind that planned, the will that conquered. Unappreciated at home, unknown abroad, I call him to your attention as one whose life and method is deserving of the attention and study of all admirers of American manhood. A lawyer of marked ability, and a legislator of unimpeachable purpose, generous to a fault with his own, but scrupulously exact in caring for the property of others, disinterestedly patriotic, the good of the State was his chief concern, and a public trust never a means to personal wealth or aggrandizement. Ohio has given to our nation financiers of world-wide reputation; Alfred Kelley was the pioneer of all, the peer of any. When the foundation of our national bank system is removed by liquidation, and the question of State or national issue confronts the people for final determination, will men equal to the occasion, with wisely formulated scheme, come with the hour? Will it result in the establishment of a national institution, analogous, it may be, to the great Bank of England, or France, that shall prove a "great engine of State"? Will that time be such exigency as to justify Congress in exercising its power to furnish a medium necessary to the uses of the Government and of the people, in war or in peace, limited only by our needs and ability to maintain a legal tender for "all" purposes? Will it prove equal to the present law in affording absolute protection to the holder of its issue, and in addition thereto be an impregnable bulwark against financial crises?

The experience of Ohio with State banks does not differ greatly from that of other States, and Ohio would hardly

care to repeat it (?). And now that the highest court of our land has apparently allowed the right of the Government to establish a paper currency as an attribute of its sovereignty, between national fiat money and a revival of State issues, we may in the not far distant future be called upon to decide. Is there any more important question awaiting adjudication by our people?

BANKING AND RESOURCES OF OKLAHOMA.

By James C. Post of Kingfisher.

I REPRESENT the youngest organized Territory of the Union, which embraces the last of our public domain. At this time Oklahoma is a few weeks more than four years old, having been born at exactly 12 o'clock, noon, April 22, 1889. Its birth was one of the most remarkable events of the kind that has occurred in the history of the world, and its progress and development bear a similar relation to history. The story has often been told; newspaper writers have exhausted their almost inexhaustible resources in recounting the stirring events by which the settlement, progress, and development of this infant Territory have been marked; and yet all the stories which have been told concerning the unexampled scenes and incidents which marked the settlement of Oklahoma convey no adequate conception of the facts. I was there, and saw it. I am a self-confessed "sooner," a term, by the way, which is applied to persons who entered the Territory before the hour fixed. I stood near the Kingfisher United States Land Office building—a partially finished wooden structure eighteen by thirty feet, the only building outside of Fort Reno and the Indian agencies, twenty-five miles away, in that part of the country—and saw the wild and reckless rush of thousands of homeseekers as they spread out over the beautiful prairies, covered at that time with a carpet of grass and wild flowers for miles and miles in every direction as far as the eye could reach. There were young men and old men in that maddening rush; black beards and gray beards innumerable; boys just turned their twenty-first year, and other old boys who had seen their three-score

and ten. There were a few brave, stout-hearted women in the crowd, not strong-minded and short-haired women who want to vote and hold office, but good, honest, true women who wanted homes for themselves and their orphans. They were on horseback, on fast horses and slow horses, in farm wagons, carriages, buggies, and other indescribable vehicles, and on foot; and while the scene is indelibly fixed upon my own mind, I fully realize the utter impossibility of satisfactorily telling the wonderful story. It is estimated that on that memorable twenty-second day of April, 1889—memorable at least to the old inhabitants of Oklahoma, for we have our old and respected citizens and our new-comers as well as other localities—at least sixty thousand loyal Americans moved as a solid phalanx from every foot of the boundary-line of the two thousand nine hundred and forty square miles of territory which embraced what is known as original Oklahoma, or Oklahoma proper, containing a little more than eleven thousand homesteads of one hundred and sixty acres each. Fully twenty-five per cent of these sixty thousand people cared nothing for the homestead, but their destination was the prospective towns of Guthrie, Oklahoma City, and Kingfisher. The two former were the locations of the local United States land offices, and the latter was the Atchison, Topeka & Santa Fé Railroad supply station for Forts Reno and Sill and the Darlington and Anadarko Indian agencies. The Western people can scent a town-site at a great distance in the calmest weather, and there is something about the occupation and settlement of a Government town-site located upon public lands which has no counterpart in town building. The town-site is taken possession of with a great rush and amidst what would seem to be inextricable confusion and disorder. Probably the intending settlers have prepared a rude plat of the town-site, showing the principal streets and alleys, before going upon it, but there are no stakes or monuments upon the site itself by which these subdivisions can be recognized. The whole manner of the settlement

of these town-sites, except the crudest imaginable preliminaries, is a mere matter of guess-work, and when the town-site is laid off by an engineer many persons find that they have "stuck their stakes," which was the assertion of their claim to a twenty-five-foot lot, in the streets and alleys; and while there seemed to be no lawful authority for the establishment of streets and alleys, when the work was done the unfortunates simply silently folded their tents, like the famous Arab, "and quietly stole away." It must not be forgotten that the process of "proving up" these town-sites was slow, tedious, and full of perplexities, and the contests for lots by different claimants were innumerable. Indeed, the work of proving up some of these town-sites has not even yet been completed. For two years there were no titles to town lots except those based upon squatters' claims, which were subject to attack at any moment; and yet, in the larger towns, handsome and costly brick blocks were built on the principal streets, daily newspapers were published, banks were established, churches and school-houses were built, waterworks, electric light and ice plants were operated, and, in short, every character of business was engaged in and prosecuted with a vigor and confidence which exist nowhere in so great a degree as in the extreme West. A Government town-site was limited to three hundred and twenty acres, but this limitation was wiped out by calling each subdivision by a different name and establishing a provisional government for each. So we had Guthrie, East Guthrie, West Guthrie, and Capitol Hill, and similar fictions in other towns. Guthrie has never had less than four thousand bona-fide inhabitants from the afternoon of April 22, 1889, and to-day has more than double that number. The population of Oklahoma City has been and is now about as great. Kingfisher was at first conspicuously rural compared with the two other towns named, being thirty-five miles west of the Santa Fé and sixty miles south of the terminus of the Rock Island Railroad. At this place lumber began to sell at one hundred dol-

lars per thousand feet, ice at ten cents per pound, and everything else in similar proportion. These extraordinary prices did not last long, however. In a few months the extension of the Rock Island Railroad was completed to the south line of the Territory, and has since been extended so as to make connections with the seaboard cities. Kingfisher is now a town of four thousand inhabitants, and the principal supply depot of the north half of the great Cheyenne and Arapahoe Reservation, into which so far no railroad has been built.

I have mentioned these towns specially for the reason that they were the principal objective points to which the earliest Oklahoma town builders directed their steps, and they are towns of a single afternoon's creation. Since then many other important and prosperous towns have been established. Among these are El Reno, the county seat of Canadian County, located on the east boundary of the Fort Reno Military and the Cheyenne and Arapahoe Indian Agency Reservation, the growth and prosperity of which has been phenomenal; Edmond, seat of the normal school; Norman, county seat of Cleveland County, and also site of the Territorial University; Stillwater, county seat of Payne County and site of the Agricultural College and Experiment Station; Hennessey, on the south border of the Cherokee Strip, in Kingfisher County, which is already a good town with splendid prospects. These are the principal towns of original Oklahoma. The districts of country since made a part of Oklahoma and opened to settlement, embracing the Sac and Fox, Iowa, Pottawattomie and Cheyenne, and Arapahoe Indian reservations, and Beaver County, formerly No Man's Land, with a total average of fourteen thousand four hundred and fifty-seven square miles, have been divided into counties, are settled by a vigorous, enterprising, and thrifty population, and support towns of greater or less importance.

I have given this very brief and imperfect review of the settlement and present condition of Oklahoma for the pur-

pose of conveying an idea of the almost insuperable difficulties under which the banking business of the Territory was established. The first banks opened for business were merely banks of deposit and exchange. It would have been exceedingly hazardous to have opened up a loan and discount department. There was no title to real estate; the people were generally strangers to each other; there were no laws for the collection of debts; everything was confusion, uncertainty, and disorder. Conditions rapidly improved, however; people settled down to business upon a cash basis, and on May 2, 1890, the organic act was passed by Congress, a territorial government was established and organized, a Legislature was elected, and a statute for the government of the Territory was enacted.

At the present time there are twenty-seven banks in Oklahoma, with a paid-up cash capital of eight hundred and fifty thousand dollars, and deposits aggregating fully two million dollars. During the present financial distress, by which some of the oldest and most highly honored banking institutions of the country have been compelled to succumb it is a remarkable fact that no bank of Oklahoma has been, so far as known, seriously affected. The generally accepted rules by which safe and conservative banking is governed are as applicable to Oklahoma as they are to other portions of the Union, and the banks of the early days which undertook to ignore these rules have ceased to exist, have "gone where the woodbine twineth," or some other equally lonely or desolate spot. Oklahoma has been a land of prodigies so far, but bank prodigies have been, in every instance, most lamentable failures. As elsewhere stated, Oklahoma cities and towns were built in a day — or, more concisely speaking, in an afternoon — and time has added to their stability and importance; but the banks which were built in a day did not generally prove to be able to weather the vicissitudes of the financial sea, for they were founded upon sand, and they fell, and "great was the fall thereof."

I repeat what has heretofore been substantially said, that

from April 22, 1889, until the latter part of May, 1890, when Congress enacted and put in force a territorial government for Oklahoma, bankers, merchants, newspapers, and other business interests had to conduct their business without any organized form of law to control or enforce contracts. It is a singular and an interesting commentary on our boasted form of government that crime was less frequent, that contracts were held more sacred during this interregnum, where sixty thousand people were a law unto themselves, without the majesty of any form of constitutional authority to compel the observance of law, than after the time when the strong arm of the Government of the United States put the machinery in motion that gave us the usual territorial form of government.

Banking in Oklahoma has not always been a ceaseless round of pleasure. There is the same desire to stimulate the sale of vermilion here as elsewhere. The bank customer who sends out his personal check in payment of bills, trusting to luck to increase his deposit so as to meet it on its arrival home; the fellow who wants to borrow for only thirty days, cheerfully allows his paper to become dishonored, and then, when settlement is peremptorily insisted upon, wants to renew, and *renew;* the man who has never paid exchange where he has done business, and will not do business with a bank that charges its customers exchange, and whose account is oftener in red than in black, and the county and city officials who are willing to be boodled in order to secure their business — all these people do not live in Chicago. Specimens of the tribe were among the pioneers of Oklahoma.

The assessed valuation in Oklahoma is more than fifteen millions. This includes only town and city real estate, the small percentage of farm lands upon which final proofs have been made, and personal property. It must be borne in mind that homesteads are not subject to taxation until final proof is made, and this can be put off for seven years from date of entry. Many settlers take advantage of this provis-

ion of the law to escape taxation as long as possible. The Government has paid the Cherokee Indians over eight million dollars for the Strip, a good round price for it in its present wild and uncultivated state, but the evening of the day upon which it is thrown open to settlement its six million acres will be worth, upon a low and conservative estimate, fifty millions of dollars, and probably could not be bought of the settlers for double that amount. The total territorial indebtedness is about seventy-five thousand dollars. The present area of the Territory, including the Strip, is thirty-eight thousand square miles in round numbers, and that part of the Indian Territory occupied by the five civilized tribes, the Cherokees, the Choctaws, the Chickasaws, the Creeks, and the Seminoles, covers thirty-one thousand square miles. The Territory is rich in mineral and agricultural resources, though the former, especially, have only been slightly developed. The climate is a happy medium between the tropical South and the frigid North, averaging forty-one degrees during the short winter months and eighty during the summer. The nights are invariably delightfully cool and pleasant.

The industrious farmer who eschews dry-goods boxes and Government finances can work profitably eleven months of the year if he chooses, and bankers are obliged to work twelve months to protect their customers and pay their shareholders respectable dividends. Oklahoma bankers are expected to build the churches of all the denominations, pay the preachers, build school-houses, and hire the school-teachers, build bridges, see that no railroad misses the town, make donations to all sorts of charities, and act as general godfather to all public enterprises.

The banking laws of the Territory are neither peculiar nor onerous. It is larceny for any one connected with a bank to receive deposits when it is insolvent or in a failing condition, and it is made the duty of every president, director, cashier, manager, or clerk to keep thoroughly posted upon the bank's condition, and all such are held per-

sonally responsible for losses by depositors. The maximum rate of interest is twelve per cent, the legal rate seven per cent. Money in Oklahoma at present is easy, and has always been so, in fact, the supply has at all times exceeded the legitimate demand. Banking can now be as safely conducted there as elsewhere; acceptable securities are good, the crops have been abundant, the people are out of debt, the laws are favorable to the collection of debts, and the future is bright with promise.

BANKING AND RESOURCES OF PENNSYLVANIA.

By S. Davis Page of Philadelphia.

As Paul to Agrippa, delegated by higher authority and bearing a weightier message, so I, sent by His Excellency the Governor of Pennsylvania, and under mandate from him, say to you, I think myself happy, because I shall answer this day before you, for myself and others of my State, touching that great commonwealth, her wonderful resources, material and pecuniary, especially because I know you, my hearers, to be expert in all such matters and questions.

Pennsylvania covers an extent of territory one hundred and sixty miles wide and three hundred miles long from east to west. Her northern, southern, and western borders were intended to be straight, while her eastern border follows the windings of the Delaware River. Its mean length in exact figures is 280.39 miles, and its mean breadth is 158.05 miles. Its greatest length is actually $302\frac{13}{44}$; its greatest breadth is one hundred and seventy-five miles and one hundred and ninety-two perches, and it contains forty-five thousand and eighty-six square miles, with an area in acres of $28{,}808{,}442_{,1}$ lying between parallels thirty-nine degrees and forty-three minutes and forty-two degrees north latitude. Owing to its intersection by the Alleghany Mountains and the South Mountain the surface of the State is wonderfully diversified, and from an abundance of limestone land found in certain portions the soil is marvelously suited for the raising of grain, while in the southeastern section there are presented opportunities for husbandry such as are rarely equaled and never excelled in any portion of our country. Owing to the geological formation

of the State, which is peculiar, there are immense deposits of iron and other minerals, and an almost inexhaustible supply of coal, both bituminous and anthracite, making it, indeed, until lately the main supply of anthracite coal in all the world. It is watered by large and beautiful rivers flowing from the watershed east and west to the ocean and the Ohio River. Two hundred years ago this immense territory was covered with such a variety and richness of timber that when William Penn offered Charles the Second to cancel the king's obligation to him for fifteen thousand pounds advanced to meet his necessities in exchange for the grant to him of this land, lying between the grants of Lord Baltimore and the Duke of York, he intended to call the land Sylvania; but Charles the Second, when the charter was laid before him for his signature, with the name of the territory in blank, inserted the name "Pennsylvania," which gave some reason for Samuel Keimer, Franklin's companion at the compositor's case, to call it Penn's "wooden country"; though, perhaps, he referred rather to the stolidity of its people than to the origin of the name itself.

There had been colonies of Swedes and Dutch, who had settled here in 1638, 1640, and 1641, along the banks of the Delaware, which numbered in the year 1682 about six thousand souls. King Charles signed the patent to Penn on March 4, 1681, and Penn, in speaking of the grant and of the name that the king had given it, said: "It is a just and clear thing, and my God, who has given it to me through many difficulties, will, I believe, bless and make it the seed of a nation. I shall have a tender care of the government that it is well laid at the start." And in his letter to the then inhabitants of the country, and to those who came to make their homes and fortunes in it, this wise and good man said: "You shall be governed by laws of your own making, and live a free and, if you will, sober and industrious people. I shall not usurp the right of any or oppress his person. God has furnished me with a better resolution,

and he has given me his grace to keep it." And so he commenced what he called his "holy experiment," and well did he carry it out to its conclusion. But the people he brought with him, while strict in the maintenance of their own rights, were scrupulous in the observance of the rights of others. Not an acre of ground in this State was ever obtained by conquest. Every foot of it was purchased and honestly paid for. The influence of the Society of Friends is felt, even to-day, within her borders; but during the first hundred years succeeding their advent they were the dominant force in the whole colony.

On the dethronement of Charles the Second, Penn's intimacy with him, the French and Indian hostilities on the border, and the apathy and non-resistance of the Quakers, gave a pretext to James the Second for attempting to take the government of Penn's province from him, and when Governor Benjamin Fletcher of New York, after being made "Captain General" of Pennsylvania, on October 24, 1692, by royal patent, came to Philadelphia on April 26, 1693, with his letters patent, he did not succeed, in the changed condition of things, in harmonizing the affairs in his new government. He demanded men and money to aid New York in carrying on the war with the French and Indians, and only succeeded, at length, in securing the acceptance of his proposition to raise money by taxation, the first tax levied in Pennsylvania, being a penny a pound on property, for the support of government. He failed, however, in securing from the peaceable Quakers a law providing for organizing the militia. In the winter of 1693 Penn was acquitted by King James of all the charges against him, and being restored to favor, his government was confirmed to him anew by letters patent granted in August, 1694. He would probably have returned at once to his province but for the death of his wife and the disordered state of his own finances. He arrived in Philadelphia in December, 1699, bringing with him his second wife and his children, with, probably, the intention of remaining. On

or about November 1, 1701, he returned with his wife, his daughter, and his infant son, embarking on the ship Dalmahoy for England, and as the ship dropped down the river he passed away from the province he created never to return to it again.

The influence of the Society of Friends, which made itself felt in its resistance to Captain General Fletcher's demand, continued during the first half of the eighteenth century, until in 1744, the Indians having joined the French, it became a question whether the English would not be confined to the land east of the Alleghanies, if, indeed, they would not be driven off the continent. In 1744 the Assembly, hitherto dominated by the Quakers, first permitted a volunteer organization for defense, and one hundred and twenty companies of one hundred men each were duly enrolled, but the lack of coöperation with adjoining colonies, and the defeat of Braddock in 1754, intensified the alarm, and finally brought the people of Pennsylvania to realize that, being the people of the world, they must do as world's people did if they wished to maintain their place in the world. At last, when the Peace of Paris, in 1763, failed to quiet the Indians who had been aroused by their white allies, the common danger and the dread of savage warfare seem to have awakened something like savagery in the hearts of the whites, and one is astonished to find an offer of bounty of one hundred and thirty dollars for Indian scalps. As the momentous days of 1776 approached, Pennsylvania as a colony was slow to act in anything that meant war or bloodshed, and those in charge of her government sought mediation between the crown and the other colonies. Finally the Committee of Safety seized the reins of government until the people could voice their feelings in a convention. The convention espoused the cause of the Revolution, and immediately a State constitution was promulgated. The old charter was finally annulled in 1778, and the Penn claims discharged by the payment of one hundred and thirty thousand pounds.

During the War of the Revolution Pennsylvania was the scene of important events. The deliberations of the convention, the adoption of the Declaration of Independence, and the meeting of Congress were all in Philadelphia. Her soil was baptized by the blood of patriots at Brandywine and Germantown, while Valley Forge gave to the ages its lesson of privation, courage, and faith. In 1812 Pennsylvania furnished her full quota of troops. In 1861, in response to President Lincoln's call for fourteen thousand troops, Pennsylvania responded with 25,975, and during the war sent a total army of 387,284 men to defend the Government and uphold the flag. She of all the Northern States really knew what war meant, for it was at Gettysburg the surging tide of battle was turned in 1863, and there her noble sons, Meade and Hancock, fought so well for the soil of their birth that the flower of Lee's army was withered in the furious fire of the fierce fight. A recollection of those fearful days was burned into the memory of the inhabitants of Chambersburg, and war means more than an interesting story to the peaceful farmers of the lovely and fertile Cumberland Valley.

Pennsylvania, which Franklin said had but one hundred and sixty thousand white inhabitants some eighty years after the grant to Penn, and whose whole population when it assumed its sovereign powers, about one hundred years thereafter, did not exceed three hundred thousand, had in 1890 a population of 5,258,014, or of 116.62 to the square mile, or of one person to each five and one-half acres, a little more than two hundred years since Penn found the first settlers living in caves along the banks of the Delaware. Of this large population there were in 1892, as taxables, 1,576,149.

The number of acres of cleared land in 1892 was 15,574,-295. In the same year the timber land was estimated at 8,369,142. In 1880 the total acreage in farms was 19,791,341 acres, divided among 213,542 farms, giving an average of ninety-two and two-thirds acres to a farm. The total value

of these farms, including land, fences, and buildings, was $975,689,410, while the actual value of the land of the State, classified as "agricultural," "mineral, including oil," "manufacturing," and "other lands," is $1,881,334,522, the classes being respectively estimated at $725,485,439, $212,262,299, $134,895,624, and $808,691,160. The total value of the buildings and improvements on these lands, following the same classification, is $1,754,525,949; the buildings and improvements in each respective class being $245,494,072, $52,528,164, $392,964,038, and $1,063,539,675; making a total value of the real estate in the commonwealth of $3,635,860,471. Of the total value of the lands 38.5 per cent is agricultural, 11.3 per cent is mineral, 6.9 per cent is manufacturing, and 43.3 per cent is of other classes; while of the total value of the buildings and other improvements, fourteen per cent is agricultural, three per cent mining, 21.5 per cent manufacturing, and 61.5 per cent other classes. Of the total value of all real estate with buildings and improvements, $970,979,511, or twenty-seven per cent, is agricultural, $264,790,463, or seven per cent, is mineral, including oil, $507,859,662, or fourteen per cent, is manufacturing, and $1,892,230,835, or fifty-two per cent, is of other property.

The total capital invested in mineral lands and mining plants, including oil and gas lands in Pennsylvania, is $419,425,445. There are exempt from taxation in Pennsylvania lands occupied by the General and State governments, counties, cities, boroughs, and townships, schools, hospitals, churches, making, in total value, $300,479,021.

As a contrast to those caves scattered along the Delaware, in which some of the six thousand earliest settlers were found housed by Penn, there were in 1890 in eleven cities of Pennsylvania 303,395 dwelling-houses, and throughout the rest of the State, 695,969 houses, which were occupied by 1,061,626 families, averaging 4.95 persons to a family and a population of 5.26 persons to a dwelling. Estimating the value of the furniture in each of these houses at four hundred and fifty dollars, which would be

a conservative estimate, allowing to each farm dwelling no more than three hundred dollars, it would make the total value of the contents of these dwelling-houses $450,000,000. The total valuation of the personal property in Pennsylvania is $1,953,960,937.

The value of the live-stock in Pennsylvania is estimated conservatively at $116,108,588, and the value of the corporate property is estimated at $1,250,000,000.

The total taxes paid in 1891 to all bodies in the commonwealth of Pennsylvania authorized to levy taxes amounted to $49,564,536, of which the county and local taxes amounted to $37,361,379. The total revenues of the commonwealth from all sources for the year ending November 30, 1891, was $13,007,062.39. The total amount of taxes collected for the year ending May 31, 1892, was $43,478,090.38, under the operation for the part of it of the new revenue law.

The revenue bill approved June 8, 1891, increasing the rate of taxation on all personal property from three to four mills on the dollar, to take effect from January 1, 1892, provided that for the year 1892, and annually thereafter, three-fourths of the net amount of taxes collected and paid into the State Treasury by a county, or city co-extensive with a county, based upon the return of property subject to taxation for State purposes, should be returned by the State Treasurer to such county or city for its own use, in payment of all expenses incurred by it in the assessment and collection of State taxes, without any cost for the same to the commonwealth; while the tax on the capital stock of corporations should be five mills on the dollar of actual valuation, with exemption, however, to all corporations, limited partnerships, or joint-stock companies or associations organized exclusively for manufacturing purposes. The act further provides that in case any bank or saving institution, incorporated by the State or United States, shall elect to collect annually from the shareholders thereof a tax of eight mills on the dollar, upon the par value of all the shares of said bank or saving institution that have been

subscribed for or issued, and pay the same into the State Treasury on or before March 1st of each year, the shares and so much of the capital and profits of such bank as shall not be invested in real estate shall be exempt from local taxation under the laws of this commonwealth. And in default of the payment of the taxes so specified, the officers shall make report to the Auditor General before June 20th of each year, giving the amount of capital stock and the amount paid in, a list of the shareholders, their residences, number and par value of the shares of stock held by each, and the value of the stock in the market where such bank or saving institution is located, during the year ending June 20th, and shall furnish a duplicate original of the same report to the local taxing officers, to be used by them for the purpose of assessing all taxes against the shareholders. And in case of neglect or refusal to furnish the proper report, the Auditor General is empowered to require the appearance of the officers of the bank, with their books, before him, and upon information so obtained he may settle an account against the individual shareholders for the State tax of four mills, and he shall proceed to collect the same according to law. He shall transmit such assessment and list of stockholders so made by him to the local taxing officers of the proper cities or counties, to be used by them in assessing taxes against the shareholders, with a penalty of one thousand dollars against the officers for refusing to give the report and information required, and a like penalty against the bank for refusing to permit the officers to make the reports or produce the books, and the power to proceed to collect the penalties in the same manner as taxes are now recoverable by law. It provides that every national bank that shall fail to collect annually from the shareholders the tax of eight mills on the dollar upon the par value of the stock shall on or before June 20th of each year make return to the Auditor General of the full number of the shares of the stock issued by such bank, and the actual value thereof, whereupon it shall become his duty to assess

the stock for taxation at the rate of four mills on each dollar of the actual value thereof, and for that purpose he can summon the officers, with their books, before him; but he must hear any stockholder who desires to be heard on the question of the valuation of the shares, and after having satisfied himself as to the correctness of the valuation of the stock so returned to him he shall have the right to correct the valuation and then return to the bank the assessment so made by him and the amount of taxes due on each share, which tax the bank shall, within thirty days after receiving said notices, collect from the shareholders, and pay over to the State Treasury. In case of failure to make report, or to give the information required, or to pay the tax within the time specified, the Auditor General, after having ascertained the actual value of each share of the capital stock of said national bank from the best information he can obtain, shall add thereto fifty per cent upon such valuation, assess the tax, and proceed to collect the same according to law. The large amounts anticipated from the operation of this statute justifies the expectation that the State Treasurer will be able to meet the State's annual public school appropriation of five million dollars, as well as all other demands and requirements; and it is calculated that long before the year 1912, when the last State loan falls due, the accumulations and assets of the sinking fund will be sufficient to redeem every outstanding bond.

The public debt of the commonwealth on December 1, 1891, was $9,811,568.28, showing a reduction during the year of $2,538,352, and there was in the sinking fund to meet it $6,764,583.34, making the net debt December 1, 1891, $3,046,984.94.

The expenses of the government of the State, exclusive of the interest on the debt, are comparatively small, and under the operation of the provisions of the last revenue act, it is thought there will be at the disposal of the State, for the relief of local taxation in the various counties, the large sum of $9,975,000, to be paid back directly to them by the State for local uses.

There are 9,022.87 miles of railroad in Pennsylvania, with a total trackage within the State, including sidings and extra tracks, of 11,177.31 miles, which is a showing only second to that of the State of Illinois of all the States of the Union. While Illinois has 5.43 acres of territory to each mile of road, Pennsylvania makes a showing of 5.44 acres of territory, and that in spite of the great aid given to the development of the railways in the former State by the National Government, while not one dollar in land or money was contributed to the railroads of Pennsylvania, which have been carried over a surface of country as diversified and difficult as it was different from the almost level plains of Illinois. The capital stock of the railroads of Pennsylvania at the close of the year ending June 30, 1891, was estimated at $859,535,920.82, which would give $72,936.10 for each mile of road. The funded debt of these railroads is $918,771,209.62, or $77,906.25 per mile, and the total stock and bonded indebtedness given is $1,778,307,130, or $150,898.71 per mile of road, giving some idea of the cost of these railroads and the difficulties that must have been surmounted in their construction.

In 1784 the cost of transportation by pack-horses from Philadelphia to Erie was two hundred and forty-nine dollars per ton, while to-day a ton of freight is carried over these thousands of miles of railway for a little more than one-half of a cent per mile, costing the carriers even less, of course. There were taken from the iron mines of Pennsylvania in the year 1891, of all sorts of iron, 1,272,928 tons, or nearly one-eleventh of the total output of the whole country, of which the Cornwall mines, near Lebanon, Pa., alone produced more than one-half, or 663,755 tons—only exceeded, even in 1892, by the wonderful output of the Lake Superior mines of Michigan and Wisconsin, the Vermillion and Mesabi mines of Minnesota, and the Tennessee Coal & Iron Company's mines in Alabama, making Pennsylvania and the Cornwall output third in rank in 1891, and fourth in 1892, after the development of the Alabama mines.

Pennsylvania in 1892 produced 4,193,805 gross tons of pig-iron, being forty-six per cent of the total production of the whole country, and of 4,444,041 tons of Bessemer pig-iron produced in the whole country in 1892 Pennsylvania furnished more than one-half, or 2,489,730 tons. The United States in 1892 produced 4,168,435 gross tons of Bessemer steel ingots, of which Pennsylvania made over fifty-seven per cent, or 2,397,984 gross tons; the United States produced 669,889 gross tons of open-hearth steel ingots, of which 511,010 tons were made in Pennsylvania. Of the 84,709 tons of crucible steel made in the country Pennsylvania made 64,834 tons. There were 3,302,506 tons of rolled iron and steel made in Pennsylvania in 1892, or 53.5 per cent of the total production of the whole country. In 1892 Pennsylvania made 961,987 gross tons of Bessemer steel rails, or over sixty-two per cent of those made in the whole country. Of the 453,957 tons of iron and steel structural shapes made in the whole country there were 342,644 tons made in Pennsylvania. Pennsylvania made 515,507 tons of plate and sheet-iron and steel, or 68.6 per cent of the total product of the whole country. She made of cut-nails 1,551,332 kegs of one hundred pounds each, or more than one-third of the whole output of the country, while of wire nails in the same year she made 1,676,684 kegs, or more than one-third of that made in the country. Of 6,922 gross tons of pig and scrap iron blooms produced in 1892 Pennsylvania furnished 3,726 tons. While Pennsylvania has produced less iron ore than Alabama since 1889, she has annually produced more than five times as much pig-iron as Alabama; and it would seem as though Pennsylvania must remain, on account of her coal-fields and well-established plants, the workshop of the country. The shipment of anthracite coal from the mines of Pennsylvania in 1892 was 41,893,321 gross tons, which at an average price of three dollars and ninety-six cents per gross ton, free on board at Philadelphia for shipment beyond the Delaware capes, would give a total value of the whole shipment of

$165,897,541.16. The total production of anthracite coal in Pennsylvania in 1891 was 45,236,992, which includes the local consumption at the mines, the shipment in that year being 40,448,337 gross tons only. The shipment of bituminous coal and coke from Southwestern Pennsylvania through the locks and pools of the Monongahela Navigation Company alone amounted in 1892 to 97,419,850 bushels. The shipment of Connellsville coke alone in 1892 amounted to 6,300,691 tons of two thousand pounds each, which at two dollars per ton were worth $12,601,381. It is estimated that the annual output of the anthracite coal could be raised to fifty million tons, and so continued for three hundred years; but I have heard scientists argue that the whole known supply of the world of every sort of coal will be exhausted in one-half that time. The development of this coal industry is remarkable, when we recall that in 1822 the Schuylkill coal-field, drained by the Schuylkill River, sent to Philadelphia only one thousand four hundred and eighty tons; the Lehigh coal-fields, in the neighborhood of the Lehigh River, in 1821 sent only one thousand and seventy-three tons to market, and the Wyoming region, watered by the Susquehanna and Lackawanna rivers, in 1829 sent but seven thousand tons to market. The last-named region alone in 1883 sent east, north, and west 31,800,000 tons of anthracite coal to market. The bituminous coal-fields cover the southwestern third of the State, reaching greatest thickness in the southwest corner, and the total area underlaid with bituminous coal is certainly nine thousand square miles, though this quantity, enormous as it is, would not support the British output of thirty years ago of one hundred million tons for more than a century. The lumber industry of 1870 in Pennsylvania amounted to $28,938,985, and was second only to that of Michigan. Some idea of the business can be had from the boom at Williamsport with a capacity of over three hundred million feet of lumber.

Pennsylvania produces most of the petroleum of the

world, the outlay of money in the industry, and the output of oil from it, reaching enormous figures. The discovery of natural gas and its application for manufacturing purposes has added greatly to the wealth of the State, and much improved the processes of manufacture, while its use for domestic purposes, for heating and lighting, in the western part of the State, has been a vast saving of other fuel and light, and has greatly tended to increase the comfort and happiness of the inhabitants of these localities.

In 1877 it was said that the soil of Pennsylvania is ample to support all the population of the State, and three times as many more, and while there is more room west and south, there is still plenty of room in Pennsylvania, and a soil of almost unlimited capacity. Under the intelligent system of cultivation seen in Pennsylvania the land becomes more and more capable each year, and more and more adequate to the support of its population. Great as has been her development, and marvelous as has been her increase in population, those who know of her past and see her present can have no fear for her future.

When the Swedes and Dutch first occupied the banks of the Delaware, the currency in use among the Indians was mainly wampum or peag, or wampum-peag, as it was generally called, consisting of purple and white beads, made out of shell or stone, the purple being twice the value of the white. It was used in strings, and valued according to measure, a fathom or belt consisting of three hundred and sixty beads. In all their trading with the Indians it was their only currency, and it was even so used among themselves. When the early settlers received gold or silver it was hoarded up for the purchase of foreign commodities, and all trade of the province was annually carried on in what was called "barter currency," the rents generally being paid in wheat, those of the Duke of York being a bushel of wheat for one hundred acres. The "currency money" was produce in barter, and the "ready money" was Spanish, Holland, Sweden, or New England.

At the close of the seventeenth century some of the substantial citizens of Philadelphia proposed a bank, and made a petition therefor to the Council, but no action seems to have been taken upon it. On January 2, 1722, a petition was presented to the Assembly praying for a paper currency, as the people were greatly suffering from want of a medium to buy and sell with, to their great loss and growing ruin. A bill was passed by the Council for the issuing of fifteen thousand pounds, on March 2d of the same year, and certain men of names familiar to Philadelphians were appointed signers of the notes, others were named trustees, while on February 5th the Assembly passed an act making the country produce a lawful tender. The relief thus secured led the Assembly, in 1723, to issue thirty thousand pounds more, the leading merchants and business men of Philadelphia of that day at the same time agreeing to take the paper money of the lower counties at par, thus relieving the tension. In 1729 the Assembly issued thirty thousand pounds more, and in 1739 enough to make eighty thousand pounds were put into circulation for a period of sixteen years. The loan-office system was then established, with a branch in each county, which were to loan money on real estate at double the value, five per cent interest. These "bills of credit," as the paper currency was called, in 1760 aggregated three hundred and eighty-five thousand pounds, and before 1769 the amount had increased by one hundred and seventy-five thousand pounds, while during the same time two hundred thousand pounds of paper currency were destroyed.

In 1763 the increase of business of Philadelphia led Robert Morris and others to entertain the design of establishing a bank, with the assistance of capitalists in Europe, and this suggestion would have been developed but for the breaking out of the War of the Revolution. In 1766 prominent merchants associated themselves for the issuance of twenty thousand pounds, in five-pound notes, payable to bearer, with five per cent interest, in nine months. In 1769 the colony authorized two issues of thirty thousand pounds, and in

1771 fifteen thousand pounds more for the defense of Philadelphia against the French, which last sum, not having been needed for the defense of the city, was used for the paving and grading the streets. Recourse was had to paper issues in 1772, twice in 1773, and again in 1775, under the temptation to meet the pressing wants of the colony by such dangerous means. It is said that these early notes maintained their credit, and would probably have been met by taxation if the Revolution had not intervened.

On May 16, 1775, the issue of continental currency commenced, to continue until it reached three hundred and eighty-five million dollars. This volume of currency was further augmented by the continued issue of paper money by Pennsylvania, and both being dependent upon the success of the Revolution, soon lost the confidence of the people, and became nearly a total loss to the holders. Of course the depreciation of the currency deranged the values of nearly every kind of produce, imposed terrible distress and confusion, and rendered it almost impossible to prosecute the war or carry on the finances of the Revolution. On June 8, 1780, a movement was set on foot to secure subscriptions to be given in bounties to promote the recruiting service for the army of the United States. These subscriptions within nine days raised no less than four hundred pounds in hard money and 101,360 pounds in continental money. This plan, after the fall of Charleston, was changed on June 17th of the same year to a proposition to secure subscriptions to amount to three thousand pounds of Pennsylvania currency in hard money, subscribers to execute bonds to the amount of their subscriptions, and the whole amount to form the capital of the bank, by whose aid it was proposed to supply and transport food to the army. The organization so effected, under the name of the "Pennsylvania Bank," had subscriptions to the extent of £315,000 in a few days. The directors were authorized to borrow money on the credit of the bank, for six months or less time, and to issue notes bearing interest at six per cent,

and they were to apply all the money borrowed, or that received from Congress, for the sole purpose of purchasing provisions and rum for the use of the Continental army, for transportation, and to discharging the expenses of the bank. Congress was expected from time to time to reimburse the bank, and when the whole amount allowed should have been thus returned, the notes would be paid for and canceled, the account settled, and the bank wound up. Congress met, recognized the purpose of the bank, and pledged the faith of the United States for the reimbursement of the subscribers giving such distinguished proof of their patriotism, and ordered that fifteen thousand pounds should be deposited with the bank, and from time to time such of the current fund as could be spared from other services in payment. On July 18, 1780, the bank began operations, and for nearly one year and a half the Pennsylvania Bank remained open. The factor, Tench Francis, drew upon the directors for specie, Pennsylvania State money, or continental money, as he needed it, and invested it in rations and rum, to the extent of three millions of rations and three hundred barrels of rum, all of which he forwarded to the army which, perhaps, he could not have obtained except through the assistance of this bank. The bank's affairs were finally wound up at the close of the year 1784, the need of its services being shown by General Cornell in a letter to General Greene when he said: "We have not one farthing in the Treasury, and I know of no quarter from which we have a right to expect any." Robert Morris was elected by Congress Superintendent of Finance on February 20, 1781, and Hamilton at once urged upon him the advisability of proposing the establishment of a national bank, with a capital, at least, of three million dollars, to be carried on in close relation with the National Government. Morris, however, prepared a scheme which he hoped would be adequate to the national wants, and on May 17, 1791, presented his plan for the establishment of a bank after known as "The Bank of North America," with a subscription of four hun-

dred thousand dollars, in shares of four hundred dollars each, payable in gold or silver. Twelve directors were to be chosen annually to regulate the affairs of the bank, with no compensation for their services, except by the consent of the stockholders. The bank was established directly under the supervision and subject to the inspection of the Superintendent of Finance, with the bank-notes payable on demand, to be receivable for duties and taxes in every State of the Union, and to be regarded as specie in the settlement of accounts between the States and the United States. After reference to the committee and a favorable report from them, the required charter was granted, in spite of the most powerful opposition, and on May 28, 1781, the Superintendent of Finance published his plan to the world, with an address, pointing out the great benefits to the United States of the bank in the then condition of the country. He sought to interest other States in the enterprise, and particularly in the South, but few were willing to embark in the undertaking. "The prospect of profit was very remote, the danger of total loss of capital evident; the country was engaged in an arduous and doubtful conflict; if unsuccessful the whole capital was lost." In spite of all difficulties, in the fall of 1781 some of the gentlemen who had been prominent in the organization of "The Pennsylvania Bank" became identified with it, seeing that if successful it would render useless, of course, the continuance of the other. Other citizens of Philadelphia, and a few from other parts of the country, came to their assistance, and it was found by November that there had been paid in cash about seventy thousand dollars, which was further happily increased by the deposit from the Government of four hundred and seventy thousand dollars in specie brought by a French frigate just arrived in Boston. On November 1, 1781, a meeting was held and a board of directors chosen, of which, on the following day, Thomas Willing was elected president, and a few days afterward Tench Francis, cashier. By December eighty-five thousand dollars were subscribed,

and on December 31, 1781, Congress passed an ordinance perpetually incorporating the subscribers to the bank by the name and style of "The President, Directors, and Company of the Bank of North America," acknowledging the existence of such an institution, and conferring the ordinary corporate powers, with the right to hold property to the value of ten million dollars, adopting the officers chosen, and declaring that everything in the ordinance contained "shall be construed and taken most favorably and beneficially for the said corporation." On July 7, 1782, the bank began active operations, with a cashier, teller, sub-teller, bookkeeper, a clerk, and a porter. The accounts were all kept in Mexican dollars and ninetieth parts thereof. The directors' meetings were held every Thursday, and two members of the board were chosen monthly to inspect and control the affairs of the bank. Though Morris purchased, with the balance remaining from the specie that had been brought over in the French frigate, six hundred and thirty-three shares of the bank stock, his great necessities obliged him to borrow from the bank amounts far exceeding the sum subscribed, and owing to the great scarcity of money the individual subscriptions were not forthcoming. The notes of the bank did not circulate readily, and every device was adopted to prevent the specie in the vaults from being drawn too rapidly. It was said that, to dazzle the eyes of the ignorant and to create the impression of great wealth, men were employed in carrying boxes of silver from the bank-room to the vaults and from the vaults to the counter, and there ostentatiously displaying it, while it was known that, at critical periods, so great was the fear of an early exhaustion of the specie, that "men were regularly employed to follow those who demanded specie and urge them to return it in order to preserve the precious foundation." But all difficulties, however, were soon overcome, and the deposits gradually rose up. Specie arrived from Europe and the West Indies, and subscriptions to the capital stock by individuals were grad-

ually paid into its treasury. The bank bills rose to their par value, and were soon sustained without further trouble, and by November, 1782, the stockholders were able to congratulate the "officers upon the skill and attention they had manifested in arranging an institution altogether new in America, the good effects of which the public had already experienced." Hamilton wrote to Viscount De Noailles in 1782, speaking of Robert Morris: "In one respect we are in a mending way. Our financier has hitherto conducted himself with great ability, has acquired an entire personal confidence, revived in some measure the public credit, and is conciliating fast the support of the moneyed men. The institution of a bank has been very serviceable to him; the commercial interest finding great advantage in it, and anticipating much greater, is disposed to promote the plan; and nothing but moderate funds, permanently pledged for the security of the lenders, is wanting to make it an engine of the most extensive and solid utility."

On March 8, 1782, Massachusetts created this bank a corporation according to the laws of that commonwealth, but doubts still remaining as to the validity of the charter granted by Congress, the board of directors thought that their organization might be materially assisted if a charter could be obtained in the State of Pennsylvania, which was finally granted by the Assembly of the State, in spite of much opposition, April 1, 1782, the bank accepting its new charter and continuing its operations as an institution duly incorporated under the laws of Pennsylvania. Within a wonderfully short time the bank restored confidence and credit to the commercial world, and the assistance it rendered to the Government was no less valuable, advancing money also to the State of Pennsylvania when it had need of it, and looking for reimbursement only when the revenue was collected, until it was said of it: "There is no service, public or charitable, to which its assistance has been denied." Before 1784 its success was assured, and for that and the following year the directors were able to declare

an annual dividend at an average rate of fourteen per cent.

In order to secure further capital the stockholders authorized the directors on January 12, 1784, to ask for a new subscription of one thousand shares, at the rate of five hundred dollars a share, to be paid at once, and the shares were rapidly taken up; but a number of influential citizens, not feeling disposed to pay the difference between the original and the advanced value of the shares, resolved to set on foot a rival institution, to be known as "The Bank of Pennsylvania," calling the attention of the public to all sorts of advantages in dealing with the new bank. This action filled the directors of the old bank with alarm, and finally its stockholders resolved to extend the new subscriptions to four thousand shares, at the original rate of four hundred dollars a share, and the subscribers to the Bank of Pennsylvania were readily prevailed upon to relinquish their scheme, and ask leave from the Assembly to withdraw their application for a charter, which permission was granted. The subscriptions to the old bank rapidly flowed in, so that by June 13th the capital was found to be $830,000; the new subscribers preferring to share in the profits of an established institution rather than invest their money in the uncertain fortunes of the new undertaking. A fresh danger now threatened the bank. The paper money of colonial days, loaned for the period of ten years and secured by mortgage of real estate, had been a source of great convenience to the people, and kept as a rule at par with specie, had not been productive of any great injury to them. In 1785 a numerous party in the State demanded and obtained a renewal of this policy, which had been abandoned at the close of the war; but they readily saw that unless the bank would give the new bills currency, the State never could get them into circulation, and the directors being both unwilling and unable to assist in so doing to any great extent, they came to be regarded as the opponents of the paper money scheme. Even though the bank had, by March, 1786, received on deposit nearly the whole of the amount

issued, 107,280 pounds and fourteen shillings, its hostile attitude to the measure at the beginning proved fatal to its popularity. The total prostration of business incident to the war had been succeeded by large importations of British goods, payment for which drained the American market of specie, and money became scarce and usury common, which condition of things would, by the ignorant, be charged to the bank; and as it was forced to curtail its accommodations in the general transaction of business, the inconveniences increased, and the hostility to it intensified, until at last a petition was actually presented to the Assembly praying for the repeal of the charter of the bank, alleging that almost every evil that the country was suffering from could be ascribed to its baleful influence. This and a number of similar petitions evoked the appointment of a committee "to inquire whether the bank at Philadelphia was compatible with the public safety, and with that equality which ought ever to prevail between the individuals of a republic," resulting in the committee reporting a bill annulling the charter of the bank, which became a law September 13, 1785. Though the directors of the bank felt fully warranted in continuing its operations under their charter derived from Congress, grave doubts on the point were entertained by the community, and they sought the following year to re-establish their corporate existence under State sanction, and finally obtained from the State of Delaware, February 2, 1786, a full grant of corporate rights, which led them to consider the propriety of removing the bank to Wilmington, New Castle, or some other point in the State of Delaware. Before, however, taking that desperate step, they made another effort to induce the Assembly of Pennsylvania to reconsider its late action, which, after a long debate lasting three days, the House of Assembly declined to do. During the debate Robert Morris said: "I have a perfect and thorough conviction that the institution in its operation, far from being injurious to the State, is of service to every individual in it. It

promotes the grandeur of the State, increases its wealth and adds to its dignity." Finally by the act of March, 1787, a new charter was granted to the bank, to last for fourteen years, which the directors of the bank accepted, sacrificing thereby whatever rights they might previously have obtained from Congress. "Its notes continued to circulate at their full value, and the difficulties which environed it vanished, and fears respecting its ability to redeem its promises subsided." The banking system had obtained a foothold in the country, and the Bank of New York, the Bank of Massachusetts, and the Providence Bank entered upon the same field of activity. Satisfied with the quiet and prosperous business in which they were engaged under State auspices, the Bank of North America did not avail itself of the opportunity presented by Alexander Hamilton in 1790, upon his elevation to the head of the Treasury Department, after the Constitution of the United States went into operation. The scheme for a separate institution was therefore rapidly pushed, and on February 19, 1791, the first Bank of the United States began its corporate existence. Thomas Willing became its first president in the year 1792. The Bank of Pennsylvania was organized on March 30, 1793, with an original capital of two million dollars, divided into five hundred shares of four hundred dollars each, with permission to increase its shares to seven thousand five hundred. The charter was extended in February, 1810, for twenty-one years, on condition that the State might subscribe at par for one thousand two hundred and fifty shares of the reserve shares of the bank, and for a like number of shares, also at par, at any time after expiration of ten years from the 4th of March, 1813. In 1811 the State of Pennsylvania had $1,509,000 invested in this bank, with branches at Lancaster, Pittsburg, and Easton, with twenty-four directors, three of whom were annually elected by each house of the Legislature and the rest by the stockholders. In 1801 the charter of the Bank of North America expired, but was extended

for a further period of fourteen years, but realizing to its stockholders small profits from the enterprise, which, upon investigation, was traced to the custom of renewing large amounts of accommodation paper from time to time, thus permanently locking up the capital of the bank. The Bank of Philadelphia was incorporated in 1804, with a capital of one million dollars, upon condition of paying one hundred and thirty-five thousand dollars in cash and permitting the State to subscribe for three thousand shares of the stock, paying therefor three hundred thousand dollars in six per cent stock of the United States, which was then ten per cent below par, and agreeing to loan to the State when required one hundred thousand dollars at five per cent for ten years, giving her the privilege of subscribing two hundred thousand dollars at the end of four years, and at the end of eight years another two hundred thousand dollars, for the stock at par. The enormous bonus paid by this bank, and the other privileges granted to the State, became necessary in consequence of the violent opposition of the Bank of Pennsylvania and its offer to pay two hundred thousand dollars to the State provided no new bank should be incorporated. In March, 1809, the Farmers' & Mechanics' Bank was chartered, with a capital of $1,250,000, to continue until May 1, 1824, for which they were required to pay seventy-five thousand dollars to the State, and agreed that the debts of the corporation should not exceed double the amount of the capital, and that one-tenth of its capital should be loaned, if applied for, to the farmers of the State, on sufficient security by bond, mortgage, or note. The first Bank of the United States ceased to exist on March 4, 1811, and the Philadelphia bank suspended payment for the first time on August 30, 1814, and suspension became general in a few months. The second Bank of the United States was incorporated April 10, 1816, to continue until March 3, 1836, but the bank did not commence operations until January, 1817, when specie payment was resumed by agreement between it and the State banks of New York, Philadelphia,

Baltimore, and Virginia. This bank was also located at Philadelphia, with branches elsewhere. Nicholas Biddle of Philadelphia became its president in 1823. A mania for banking seemed then to take possession of the people, and during the session of the Legislature of 1812 and 1813 a bill was passed to incorporate twenty-five new banks, with an aggregate capital of $9,525,000, which was vetoed by Governor Snyder, who found among other objections to it: "It would by readiness to give credit invite visionary speculations, divert men from useful pursuits, damp the ardor of industrious enterprise, and consequently demoralize the community."

In March, 1814, a bill passed the Legislature incorporating forty-one banks, with an aggregate capital of seventeen million dollars, of which only one-fifth was required to be paid in, and this bill, though returned by the Governor, was passed by two-thirds of both houses, notwithstanding his veto. It became a law, and thirty-seven banks went into operation under its sanction, of which fifteen failed in five years. In 1820 there were thirty-six banks in the State, with an aggregate capital of $14,681,780, and an indefinite number of others that were called freebooters. On March 28, 1814, the charter of the Bank of North America was renewed for a term of ten years, and the capital restricted to one million dollars of stock, none of which was to be transferred to or held by aliens, except citizens of Holland, and its affairs were at all times to be open to legislative scrutiny. As a consideration for this franchise the bank was obliged to pass one hundred and twenty thousand dollars to the credit of the State on its books, and the Legislature reserved the power at any time to annul the charter upon its refusing to pay this bonus. The new charter, granted March 21, 1825, imposed a variety of limitations and qualifications upon the bank. The title of the corporation was first changed from that of "The President, Directors, and Company of the Bank of North America" to "The Bank of North America," by which it is yet known. The charter was to last until April 1, 1847.

In the decade between 1820 and 1830 the story of banking in this country is said to have been a continuous history of bankruptcy and fraud, which was followed at its end by a better system and a change in the conditions of trade. In 1830 there were in Philadelphia twelve joint-stock banks, exclusive of the Bank of the United States. Allowing for the share of capital of the latter employed in banking speculations in the city, the total capital engaged in bank business in Philadelphia in that year might be taken at $10,667,000. "In Philadelphia the banks have been pretty successful, but in Pennsylvania generally there have been many failures," says a current magazine of the day.

In 1832 a measure for the renewal of the charter of the Bank of the United States passed both houses of Congress, but was defeated by the presidential veto, and in September, 1833, the public deposits were suddenly withdrawn from that bank and placed in the custody of other banks, the managers of which were said to be more in consonance with President Jackson's views. On May 11, 1837, the banks of Philadelphia followed the example of their fellows in New York and suspended specie payment, though by May of the following year they began a partial resumption, which was carried into full effect on August 13, 1838. Another suspension followed on October 9, 1839, though the Bank of North America still continued to redeem its own notes of five dollars or under, in coin. At the close of the year 1840 the banks began to make preparations to resume payment of specie, and on January 15, 1841, the day fixed by the Legislature, the city banks announced their intention to redeem their liabilities in specie, but the Bank of the United States, in spite of a temporary loan of five million dollars from the State banks of the city, seemed unequal to its task, and on February 4, 1841, it for the third time suspended. So ended its long checkered career. The rest of the State banks found themselves unable to resume, although the Bank of North America declared itself willing to redeem its five, ten, twenty, and fifty dollar notes in coin. On May 4, 1841, the

Legislature passed what was known as the "Relief Act," founded on the position of the banks consequent upon their suspension. The provisions of this act most of the banks were glad to accept, thus purchasing immunity; but their course was not followed by the Bank of North America, and a few of the other city banks finally adopted the same course. At the beginning of the year 1842 the Bank of North America had redeemed all its notes except about twenty-four thousand dollars, which they were ready to pay on demand in specie, and on March 18, 1842, it and eight others of the State returned to a specie basis, but almost every bank which accepted the provisions of the "Relief Act" was obliged to postpone its resumption until more than a year after. The charters of these several banks were renewed from time to time, the Legislature of the State exacting such terms as seemed to them most conducive to the interest of the State, often regardless of the rights of the banks, and even of fair dealing. On September 21, 1857, the Bank of Pennsylvania succumbed in total failure, and every other bank in Philadelphia suspended, a course speedily followed by all the banks throughout the country. Resumption gradually followed, until the threatening condition of the country produced by the approaching war between the States occasioned a general suspension of specie payments, which, after a short resumption in 1862, continued until January 1, 1879, when the banks of the country all resumed payment of specie. During the War of the Rebellion the banks of Philadelphia rendered great service to the Government, in subscriptions and donations to committees of public safety for the defense of the city and the preservation of its peace, and in direct loans to the United States Government and in the purchase of its bonds in immense volume. Upon the conversion of nearly all the banks of Pennsylvania into national banks, the Bank of North America alone was allowed to retain its title, and though a national bank, it is still known by the same name under which it did such good service to the nation's cause more than one hundred years ago.

On September 30, 1892, the Comptroller of the Currency reports that there were in Pennsylvania, outside of its two great cities, three hundred and seven national banks, with a capital of $37,742,390, a surplus fund of $16,435,551, and undivided profits of $5,120,026, with a national bank circulation of $10,834,945, a State bank circulation of $1,543, and individual deposits of $110,624,833, with which they had made loans and discounts to that day of $110,710,577, holding bonds for their circulation of $12,445,550, with cash on hand of $11,506,752, all total resources aggregating $187,063,366 to meet the total liabilities of the same amount, while in the city of Philadelphia he, at the same time, reports that there were forty-one banks, with a capital stock of $22,465,000, a surplus fund of $13,811,303, and undivided profits aggregating $3,154,590, with a national bank circulation of $3,685,110, and individual deposits amounting to $99,659,619, with a line of loans and discounts aggregating $104,892,053, holding bonds for circulation to the extent of $4,187,500, with available cash to meet demands upon them of $20,365,725, with total resources of $173,830,943 to meet total liabilities of the same amount. By the same report there were in the city of Pittsburg at the same day twenty-six banks, with a capital stock of $10,900,000, a surplus fund of $6,632,589, and undivided profits of $1,539,782.96, and a national bank circulation of $1,540,020, with a line of loans and discounts of $40,042,776, holding bonds for their circulation amounting to $1,780,000, with cash available to meet demands upon them aggregating $7,104,801, the total resources being $64,918,693 to meet liabilities of the same amount.

By the report of the Superintendent of Banking of the State of Pennsylvania for the year 1892, it appears that there were in existence in that State eighty-four State banks, sixteen savings institutions, and seventy-two trust companies on November 30, 1892. Aggregate number doing business, one hundred and seventy-two. The following exhibits the capital, surplus, undivided profits, and aggre-

gate deposits of these several banks, savings institutions, and trust companies on November 30, 1892:

CAPITAL.	
Banks	$ 8,799,697 50
Savings institutions	111,200 00
Trust companies	35,878,744 18
Total	$44,789,641 68
SURPLUS.	
Banks	$ 4,115,408 91
Savings institutions	6,005,127 97
Trust companies	9,265,759 64
Total	$19,386,296 52
UNDIVIDED PROFITS.	
Banks	$ 1,492,239 22
Savings institutions	2,293,119 54
Trust companies	9,092,238 89
Total	$12,877,597 65
DEPOSITS.	
Banks	$45,502,923 17
Savings institutions	66,417,794 40
Trust companies	89,530,104 96
Total	$201,450,822 53

Under the act of the General Assembly of Pennsylvania of June 8, 1891, there was created a banking department charged with the execution of the laws of this State in relation to banks, banking companies, trust companies, savings banks, provident institutions, and every other corporation having power to receive money on deposit, incorporated or which may hereafter become incorporated under the laws of this State, and the said department shall be charged with the supervision of the said corporations for said purposes. The chief officer of this department shall be denominated the Superintendent of Banking, and every corporation included within the operation of this act shall be subject to his inspection, examination, and supervision. It shall be his duty, at least once in each year, or as often as he shall deem proper, to examine, or cause to be examined,

the books, papers, and affairs of each of these corporations, and he may, in his discretion, designate some competent person or persons to make such examinations, such person reporting to him the result of these examinations. To meet the expenses of these examinations each corporation subject to his supervision shall annually, at the time of paying its State taxes, pay into the treasury of the State, in addition to any taxes or fees imposed by law, twenty dollars when the capital shall consist of one hundred thousand dollars or less, five dollars for each additional one hundred thousand dollars or fractional part thereof of capital over and above one hundred thousand dollars, and two cents for each one thousand dollars of assets which it may have; and such examiner, after qualification under oath, shall have authority to examine on oath any officer, director, trustee, manager, or agent employed by any corporation as to any books, papers, and affairs of any institution which he has been designated to examine, and any willful and false swearing in any such examination shall be perjury. Each corporation subject to his supervision shall make to the Superintendent of Banking not less than four reports of their condition during each year, according to the form and manner to be prescribed by him. Such reports shall be verified by oath of the cashier, president, or other managing officer, and attested by at least three of the trustees or other managers of such corporation. These reports shall include in detail the resources and liabilities of the corporation at the close of business in any past day specified by the superintendent, and shall set forth such analysis of subjects, and such other information he shall desire and require, which reports shall be transmitted to him within five days after his requisition, and in such form as he shall direct shall be published by the corporation in a newspaper in the place where they are located at least three times, and if there be no newspaper in such place, then in the newspaper published nearest thereto in the same county, and such proof of such publication shall be furnished to the

superintendent by the corporation as he shall require. In case of the failure of any corporation to transmit such reports as required within the period required, the superintendent shall forthwith make, or cause to be made, an examination of the books, papers, and affairs of such corporation, and he may call for special reports from any such corporations whenever in his judgment the same may seem necessary for a full and complete knowledge of its condition. And whenever any report or examination has been made in such manner as to give reason to the superintendent to believe that the capital of any corporation has been reduced below the amount required by law or the articles of incorporation, or that certified as actually paid in, it shall be his duty to require such corporation to make good the deficiency. And to give such requisition effect he shall have power to examine every such corporation, its books, papers, and affairs, and ascertain whether such reduction has been made good, and in case of neglect or refusal after sixty days after the requisition made by him to make good any such reduction or impairment, he may invoke the aid of the Attorney General of the State, whose duty it shall be to apply to the Supreme or Court of Common Pleas of the county where the corporation may be situated, or in vacation to any of the judges thereof, for an order requiring the said corporation to show cause why their business should not be closed. And the court or judge shall thereupon hear the allegation or proof of the respective parties, and upon proof of the truth of the complaint, and that such corporation is insolvent, or that the interests of the public so require, the said court or judge shall decree a dissolution of such corporation and a distribution of all its effects, or make such other orders from time to time in the matter as the interests of the parties and the public may require. But if the complaint be not sustained, a decree shall be entered annulling the act of the superintendent in the premises, and authorizing such corporation to continue its business. In the event of any discovery by the superin-

tendent that any corporation has committed any violation of its charter or law, or is conducting its business in an unsafe or unauthorized manner, he shall direct the discontinuance of such illegal, unsafe, and unauthorized practice, and direct a strict conformity with the requirements of the law; and upon neglect or refusal of any corporation to comply with this order, or whenever it shall appear to the superintendent that it is unsafe or inexpedient for any corporation to continue the transaction of business, or that any trustee or officer of any such corporation has abused his trust, or has been guilty of misconduct or malversation in his office, injurious to the corporation or its depositors, he shall communicate the facts to the Attorney General, who shall thereupon institute proceedings such as may be required, invoking the aid of the court in the county where the corporation is situated, by quo warranto, for the removal of the officers, or for the transfer of their corporate powers to other persons, and for the withdrawal of the corporate powers, or for the consolidation or merger of the corporation with any other corporation of a similar character willing to accept the trust, or for such other and further relief and correction as the facts shall seem to him to require. And if the charges made shall be sustained the judge of the court to whom application has been made shall decree a dissolution of such corporation and the distribution of its effects. And a refusal to submit books, papers, and affairs to the inspection of the superintendent, or his examiners, shall, on reference to the Attorney General, be remedied by like proceedings, as already indicated. And should the superintendent conclude that any such corporation is in an unsound and unsafe condition to do business, he may, with the consent and approval of the Auditor General, forthwith take possession of such corporation and its property, and retain such possession pending proceedings by the Attorney General, as already indicated. The superintendent is to make an annual report to the Governor of the State, or Legislature if sitting, of the condition of every corporation,

from the reports received during the year, with any information in relation to such corporations as in his judgment may be useful, with a statement of the corporations under his supervision, whose business has been closed during the year, and any suggestions or amendments to the laws by which they may be improved and the security of the creditors and the depositors may be increased, and the names of the employes of and the expenses of his department. All powers hitherto intrusted to any other official in reference to such matters are now committed to the new official named in this act. This act, so briefly analyzed, would seem to secure as accurate a supervision of the banking and financial institutions subject to its provisions as can be obtained by the provisions of the national banking act, and must, when understood, add greatly to the confidence of the community in those corporations found worthy, and enhance the security of the business committed to their care.

Under the general act for the incorporation and regulation of banks of discount and deposit, approved May 13, 1876, any number of persons not less than three may enter into an association for banking purposes, after approval by the Attorney General of the State and after due advertisement stating the object and purposes of such proposed application. No corporation shall be organized under this act with a capital stock of less than fifty thousand dollars, divided into shares of not less than fifty dollars each, and the shareholders of any corporation formed under the act shall be individually responsible, equally and ratably, but not one for the other, for the contracts, debts, and engagements of such banks, to the amount of the stock therein at the par value thereof, in addition to the par value of such shares. The corporation shall have succession by the name designated in its articles of association for the term of twenty years, and shall have power to transact all business pertaining to banking, discounting bills of exchange, promissory notes, and other negotiable paper, receiving interest thereon in advance, but shall not pay, directly or

indirectly, any interest on any money deposited with them, except foreign correspondents or correspondents in other States, on daily balances, and then at a rate not to exceed three per cent per annum, with the same restrictions as to the holding of real estate as provided in the national banking act; with power to increase their capital stock, subject to the regulation of the act, but beyond the maximum only on a request in writing by the majority of the stockholders to the Auditor General; and upon a vote of the shareholders owning two-thirds of its capital stock they may reduce such capital stock to any sum not below the minimum amount required by this act, with due notice of such decrease to the Auditor General and his approval thereto obtained. Many other provisions of the act seem to be modeled, as has been possible, upon the terms of the national banking act.

There is an individual liability in the directors of the corporation for the declaration of any dividend which should impair the capital of the corporation in an action of debt on bill in equity; and before the declaration of any dividend there must be carried one-tenth of the net profits of the preceding quarter, if it is a quarterly dividend, at least one-tenth of the net profits of the preceding one-half year, to its surplus fund until such surplus fund shall amount to twenty-five per cent of the capital stock of such bank, and on each dividend day the cashier shall make a full, explicit, and correct statement of the condition of the corporation, as it shall be on each day previous to declaring such dividend, to be verified on the oath of the president and cashier, setting forth in detail such condition. The corporation is forbidden to take as security for any loan or discount a lien on any part of its capital stock, and there shall be no dividend paid if the losses sustained shall equal or exceed its undivided profits then on hand. Upon the failure of any corporation under the act to pay off its liabilities, the Court of Common Pleas of the proper county, if in session, or if in vacation the president judge of the county in which said corporation is located, shall, on application

by the Auditor General, and now by the Superintendent of Banking, after due inquiry and examination and satisfactory proof of default in the bank, appoint a suitable receiver, who shall take immediate possession of the books, records, moneys, bills, bonds, notes, and other evidence of indebtedness, and of the property of such corporation of every description, and hold the same for the creditors of said corporation. Said receiver, after giving proper security to be approved by the court, shall proceed under its direction to settle up the affairs of the corporation, converting its assets into money, if possible, and paying first the depositors, and then all of the remaining liabilities of such corporation, and the residue to the shareholders of the corporation in proportion to the stock they respectively hold. Section 30 of this act provides that banks chartered under the provisions of this act shall not pay interest on call deposits, and any violation of this section shall work a forfeiture of the charter of the bank so paying interest.

The act of May 9, 1889, provides that any banker, broker, or officer of any trust or savings institution, national, State, or private bank, who shall take and receive money from a depositor with the knowledge that he, they, or the bank is at the time insolvent, shall be guilty of embezzlement, and shall be punished by a fine in double the amount so received and an imprisonment of from one to three years in the penitentiary.

The act of April 26, 1889, provides for and regulates the renewal and extension of the charters of State banks, and the act of April 26, 1889, enables banks of the commonwealth to become associations for the purpose of banking under the laws of the United States. There are various acts of Assembly providing specifically for the incorporation of savings banks, trust companies, and companies for the insurance of titles to real estate, with specifical directions and limitations in the exercise of the various powers and functions by the several acts conferred, all tending to the creation and development of a system seeking to promote

the best interests of the people, and all subject to the regulation and inspection of the Superintendent of Banking, who stands as much for the rights of the people doing business at and with these said institutions and as the guardian of their interests as does the Comptroller of the Currency under the operation of the national banking act.

Under the State banking system there is no provision for the maintenance of any reserve, as in the national banking acts, as a basis of circulation. The ninth section of the sixteenth article of the Constitution of Pennsylvania, taking effect January 1, 1874, provides that "every banking law shall provide for the registering and countersigning by the officers of the State of all notes or bills designed for circulation, and that ample security for the full amount thereof shall be deposited with the Auditor General for the redemption of such notes or bills." The act of April 16, 1850, in its thirtieth section, provides that it shall not be lawful for any bank to issue or pay out any bank-notes other than those issued by itself, payable on demand, in gold or silver or the notes of specie-paying banks of this State which are taken on deposit or in payment of debts at par at the counter of the bank where paid out, at the option of the person receiving the same, and any violation of this provision shall work an absolute forfeiture of its charter. The same act, in its twenty-sixth section, provides that whenever a demand for specie shall be made by any note-holder on any bank, it shall be the duty of the cashier, or other officer of the bank upon whom such demand is made, to pay one-fifth of the amount of such demand in American gold coin, if the same shall be requested by the note-holder making such demand, provided that one-fifth of such demand is not less than five dollars; and the twenty-fourth section of the same act provides that if a bank to which the act shall apply shall at any time fail or refuse to redeem its notes and pay its liabilities in gold or silver coin, upon demand for the same at the banking-house of said bank, such failure and refusal shall be deemed and held to be an absolute forfeit-

ure of the charter of said bank. This act provides that "every banking corporation hereafter created by any special act of the General Assembly, and every bank hereafter chartered or the charter of which shall be hereafter extended or renewed by any act of Assembly, shall be subject to the provisions of this act." These provisions in relation to the use of bank bills do not seem to have been incorporated in the present general banking law of the State, though the Constitution of Pennsylvania requires that ample security for the redemption of all notes or bills issued by banks, to the full amount thereof, shall be deposited with the Auditor General of the commonwealth. This omission may have been caused by the fact that no State has or can have circulation of its own notes so long as the taxation thereon by the General Government remains prohibitory.

In this age of strange notions of the character of money there should be every safeguard thrown about the circulation permitted to any bank; yet, whatever safeguards the law may throw about any system of banking, the real security for those who deal with them is to be found not so much in the banking system provided by law as in the honesty, diligence, and capacity of the officials charged with the carrying out of that system.

I have thus endeavored, with, perhaps, too much detail, to perform the duty imposed upon me by His Excellency the Governor of Pennsylvania. I shall be well rewarded, far beyond my meed, if in calling your attention to the resources, finances, and banking system of Pennsylvania I have been able to really put before you so you can realize it the might, the worth, and the work of our grand old commonwealth.

BANKING IN RHODE ISLAND.

By Hon. J. W. Vernon of Providence.

GREAT principles are often illustrated on a small stage, and I now beg to submit a brief chapter from Rhode Island's early history which has a bearing upon present financial conditions. It is not a creditable story, but it is an instructive one, and I think will be more interesting than a rehearsal of the subsequent brilliant achievements of the little State of whom all her sons are proud. Our present financial distresses are the direct and natural outgrowth of a widespread belief in the fallacy that legislation can create value. It never has and never can. Legislation can provide for the issuance of promises to pay value, and for means to redeem those promises. In proportion as faith exists in the intention and ability of the promisor to redeem his pledge, will be the rate at which that pledge or promise will pass current. For many months the commercial world has questioned both the ability and the intention of the United States to redeem its promises in gold under the operation of our present silver purchase law, and foreign capital has in consequence been withdrawn from the country in vast amounts, so that with four millions a month of fresh issues of government certificates given in payment for purchases of silver bullion, we have seen the rates for money constantly rising at a season of the year when they ought to be falling, and circulation becoming more difficult to obtain when it should be redundant. But legislation has frightened capital at home and abroad, and we see the results.

Whatever our individual views may be about the desirability of placing and keeping silver on a par with gold,

and using it as an equal standard of value, we must all admit that the business of the whole commercial world is conducted on the basis of gold as the only standard, and it is as foolish as it must be futile for this country to attempt to reform the financial methods of the world single-handed. We can no more force the world to receive sixty cents' worth of silver for a hundred in gold than we can force them to take a paper issue in lieu of gold. It is as impossible to legislate into silver a value that does not exist there as it is to legislate value into paper.

EXPERIENCE OF COLONIAL RHODE ISLAND.

The Colony of Rhode Island began the issue of paper as a circulating medium of exchange in 1710. This paper was styled "bills of credit," and was declared by law to be "in equal value to money," and was made receivable "in all public payments." It was loaned by the colony to individuals on real estate mortgages as security, and not made redeemable in anything. The depreciation was simultaneous with its issue. The issue of 1710 stood in one year in the ratio of one hundred and forty to one hundred to coin, notwithstanding the General Assembly declared it to be "in equal value to money." Issues of these bills were made from time to time in small sums to meet the exigencies of the colonial treasury, and to meet the exigencies of the political managers. From time to time larger sums were issued to be loaned to the people. These larger sums were styled banks. The depreciation was so immediate and so great that following the issue in 1744, the Eighth Bank, the ratio became in 1748 as one hundred to one thousand.

Let me illustrate the effect of the natural law of depreciation as against the artificial law of the General Assembly, by showing the course of the bounty on wolves during the first thirty years of this colonial "money":

1703. Bounty, one pound sterling.
1710. First paper money; bounty paid in paper; men wouldn't kill; wolves increased.
1715. Bounty raised to one pound ten shillings; killing began; only six killed; became a pest.
1717. Bounty raised to five pounds, and fifteen wolves was the result; still the "money" depreciated, and wolves increased.
1732. Bounty raised to ten pounds; killing greatly increased; but the "varmints" continued to infest.
1739. Bounty raised to thirty pounds per head, and extermination followed.

This depreciation is equally shown by the wages of labor, and by the market values, at various periods, of the products of the colony, to wit, lumber, rye, horses, rum, staves, and other articles, compared with the values of similar products in the surrounding colonies. Rhode Island bills of credit became uncurrent outside the narrow borders of the colony. In some of the surrounding colonies the circulation of these bills was prohibited by a statute.

The experiment was tried, beginning in 1740, by the General Assembly, of fixing the value of a bill of credit in silver or in gold. For instance, a one-pound or twenty-shilling bill was declared to be equal to two ounces nineteen pennyweights, six grains of silver, Troy weight, or to gold at five pounds per ounce, thus attempting to stay the depreciation by expressing the "legislated" value of the bill in coin. This new variety of "money" was styled new tenor, and the former variety old tenor. These terms were used in practice until 1758, when the term lawful money was introduced. Lawful money established a different rate for gold. New tenor had placed it at five pounds sterling per ounce. In 1758 it was fixed at six pounds thirteen shillings and four pence per ounce.

When the Colony of Rhode Island entered this whirlpool of financial destruction it had a population of less than eight thousand people. The craze lasted three-quarters of a century. In 1786 the State contained eighty thousand people. In forty years from its first introduction, in 1750, by means of the enormous issues, these "bills" had reached a circu-

lation among the people of the Colony of Rhode Island of one hundred and twenty-five dollars per capita. Estimating the amount of money now in circulation at one thousand millions, and the population of the country at sixty-five millions, the average circulation per capita would be about fifteen dollars.

The business of the colony was chiefly agricultural; but the magnificent Narragansett Bay had bred a race of hardy navigators, who built vessels and developed slowly a coastwise commerce. In the development of this commerce these bills of credit not only gave her no financial assistance, but in the end wrought her commercial ruin. Her bills of credit were never available in commercial exchanges. The bills of exchange of her merchants were required; her commerce degenerated into barter, and at last expired. Scarcely an acre of land in Rhode Island remained unincumbered by mortgage, few of which mortgages were ever paid, and to this day barrels full of them are in existence.

Collapse came in 1786, with the famous and infamous bank issued that year. Aside from the universal bankruptcy of the people, the State was in that year required to redeem the interest-bearing notes issued in July, 1780, payment of which, both interest and principal, had been guaranteed by the United States. This issue was thirty-nine thousand pounds, to be paid in "Spanish milled dollars." To meet this Rhode Island issued this bank of 1786, which consisted of one hundred thousand pounds, on which the General Assembly printed the words: "This bill is equal (to its face value) in lawful silver money." A penal statute was enacted making the refusal to take these bills at their face value in exchanges a State prison offense. The deepest depths of financial folly had at last been reached. These bills, issued in July, had in October depreciated to one-third their face value, and a little later to fifteen cents on a dollar, and so the end came. Not an industry had developed and lived in Rhode Island under this financial blight, but those industries which had previously existed were well-nigh extinguished.

Individuals and communities, voluntarily or involuntarily, to a greater or less degree, serve the world as warnings or examples. Rhode Island, in times of ignorance and experiment that might claim forgiveness from God and man, furnished a terrible object-lesson of the result of faith in false financial systems and methods. It should bring a blush of shame to every American cheek, that this great and rich country, which had excited the wonder and admiration of the world by the example it gave of honesty and honor, of redeeming in gold the vast issues of paper promises forced upon it by the exigencies of the most stupendous civil struggle of all time, should now, in a period of profound peace, and until within recent weeks unexampled prosperity, be threatening a relapse into a repudiation that, if it should come, will bring results that will be a warning for all lands and all times.

BANKING AND RESOURCES OF SOUTH DAKOTA.

By Hon. Richard C. Lake of Rapid City.

IN compliance with the request of Governor Sheldon, and in fulfillment of his appointment, it is my honor and privilege to represent in this notable gathering of bankers and financiers the prosperous and contented new commonwealth of South Dakota. The topic assigned me, "Banking and Resources of South Dakota," is one which would require for its adequate consideration much more time than this Congress is justified in devoting to it. I shall therefore attempt but a brief outline of the same and a mere reference to the agricultural and mineral resources, the wealth of which has attracted such large investments of capital and produced so much to be included in the world's totals.

The banking laws of the State are patterned very largely after the national act, with like restrictions. A certain percentage of the bank's capital only may be loaned to an individual, firm, or corporation, and a like percentage must be kept on hand or on deposit in solvent banking institutions, to be counted as legal reserve. Five called statements are made during the year, which are published in the local newspapers, and the public examiner must make at least one personal examination each year. The legislators, evidently believing that the Government alone should issue circulating notes, with such safeguards as should at all times and under all circumstances make them good from one end of this broad land to the other, have not contemplated the issue of a circulating medium by the State banks, and it may therefore be said that the State of South Dakota does not look with favor upon the proposed repeal of the ten per cent tax upon State bank issue.

The State of South Dakota, with its almost imperial area, might be divided into three sections, and this division would represent the rich and diverse resources of the State. The eastern division, including the valleys of the Sioux, the James, and the eastern banks of the Missouri, comprises agricultural South Dakota, the region of great wheat farms, unnumbered elevators and storehouses, gang-plows, steam-threshers, and crops that tax for months the full carrying capacity of its railway lines. This section, with its mixed farming, is in the hands of intelligent and industrious farmers, who, profiting by the experience brought with them from the States of Iowa, Illinois, Missouri, and other older States, show an appearance of prosperity surpassed by none.

The settlement of the State may be said to have been made about thirty years ago, when a few pioneers pushed their way up and along the Missouri River to the vicinity of the present city of Yankton; but it was not until the great forward movement of railroad building of 1878 to 1880 that any considerable settlement was made. The current of immigration set strongly, and vast areas were taken up by the homesteaders. Towns sprang up like magic, and a boom period followed. No agricultural region was ever before so rapidly settled; none has before or since added such mighty totals to the crop average of the world. The inevitable reaction from the boom followed, aggravated by a partial failure of crops in part of that region; but this has again given way to a prosperous era of magnificent crops, and during the past three years the farmers have fully regained the ground lost, paid a large portion of the debts accumulated during the early settlement and the later time of depression, and to-day many of them are showing their confidence in the country by the purchase of more land.

The second and middle section into which I have divided the State lies between the Missouri River and the Cheyenne. Most of this area was not open to settlement prior to 1889,

when by treaty eleven million acres until then a part of the great Sioux Reservation was added to the landed wealth of the State. This great region is the feeding-ground of the range cattle, whose annual shipments form so considerable a part of the Western products. Possibilities of this portion of the State can only be determined by the future. Its adaptation for stock-raising is already well known. The soil is fertile, and the sole obstacle in the path of general agriculture is the uncertain rainfall. An increase in the amount of natural moisture, which has followed settlements in all the Western States, and the employment of a system of irrigation will doubtless render much of this area valuable for general agriculture. Combined with stock-raising, it presents to-day a field where men of industry and moderate means may soon secure a competency.

The third or mineral division of the State comprises the five Black Hills counties, lying in the southwestern part of the State. This was settled in 1876, the discovery of gold acting as magnet to attract thousands to the rich placer fields of this region. The development of the mines has continued since that time, steadily increasing in richness and extent, and hardly a month passes without furnishing additional evidence of the truth of the assertion made some time since by one of the foremost railroad men of the Northwest, now operating in that region, that the "Black Hills is the richest one hundred miles square upon the globe." The ore bodies are notable for their great extent, and the deposits found embrace nearly the entire list of the precious and useful metals. Official reports for 1892 place the State third in the production of gold. The Homestake group of mines have alone paid some eight million dollars in dividends to their stockholders since they were opened twelve years ago. Other properties of equal promise are now being developed, and as this immense ore body is now known to be fully twenty miles in extent, running through the heart of the central hills, makes it more than probable that within ten years the

Black Hills will produce more of the yellow metal than any region of equal extent upon the globe. Besides its precious ores the Black Hills contain large deposits of tin, copper, iron, and coal. Its forests furnish the finest pine timber in abundance. Building-stone, marble, fire-clay, cement, stucco, and other structural materials are to be found, and some of them are now being produced in profitable quantities. Capital for their full development and competing railway lines are alone wanting for the permanent establishment of these industries.

The banking and financial record is one of the best made by the new States of the Union. There have been but few bank failures, and the moneyed institutions are generally secure and prosperous. It is a fact worthy of note among bankers and financiers that during the recent depression South Dakota can present a clean bill of health, no bank failures having yet been reported excepting one of small importance. The condition of the State's finances is most gratifying. The revenues are adequate to meet the expenses of the Government, although a large annual outlay is made for charitable and educational institutions. The school lands of the State, if sold at the minimum price fixed by law, will bring over twenty-nine millions of dollars, and will doubtless be sold for a much larger sum, thus insuring to the cause of education a magnificent revenue, even if invested at a low rate of interest.

The outlook for the various industries is most encouraging, and as a field for investment or business no State offers larger opportunities, greater security, or more certain returns. The variety of resources is unequaled; the western part, with its mining, coal, lumber, and building material, is the natural complement of the eastern part, with its great fields of grain, its elevators and flouring-mills. Ultimately the men employed in mining enterprises will consume a large portion of the surplus food products of the State, and will carry on within itself an exchange mutually profitable to the people of all sections. I can not better conclude

my remarks than by reading the following conservative statement of the agricultural situation from a leading Western journal, heartily indorsing the views advanced:

It may be said of the farmers of South Dakota that they were never as well off as they are now. During the past two or three years they have had good crops and fairly remunerative prices. They have been making money. The low prices and drought of previous years, with associate difficulties incident to new settlement, had given them schooling in economy, and they have been devoting themselves energetically to the business of getting the upper hand of their debts. They have made admirable progress. Many of our northwestern farmers are now out of debt, or so nearly so that their obligations give them no particular worry. Instances are numerous in the older settled counties where the farmers are the owners of the bank deposits. They have cash on hand and are lenders.

BANKING AND RESOURCES OF TEXAS.

By Hon. J. W. Blake of Mexia.

I BELIEVE it is expected that I shall deliver an address, or make a talk not to exceed thirty minutes, on the "Banking and Resources of Texas." As the representative of the largest State in the grandest government upon earth, I must be pardoned for saying that it seems to me to be hardly just to my State to be placed on equal terms, not only as to time but in other respects, with other States, for when we speak of Texas I want you to understand that we have territory enough there to take in the whole population of the United States and still not be more densely populated than the republic of France, and your mind must travel out and look at an empire. I regret that the short notice intervening since receiving advice of my appointment by the Governor, and notice that I would be expected to make this talk, has prevented the collection of such data and statistics and the preparation of such an address as the occasion and subject should demand.

The banking system of Texas is in nearly all respects similar to that system used and practiced by all the other States, except that we have no system of State banks. The constitution of Texas since 1876 has contained a clause forbidding the charter of banks of loan and discount. The sentiment against banks which once prevailed in our State is now fast disappearing. Our last Legislature, recently in session, submitted an amendment repealing the existing prohibition clause in our constitution against State banks, and permitting the incorporation of State banks of discount and exchange. This amendment, I trust, will be adopted, as I believe that every State should have a system of State

banks under proper restrictions and control of the State, and I believe the time will come when "State banks of issue," to be run under partial national supervision and control, will supplant the national banking system of the United States.

It is doubtful whether the growth of banking facilities which Texas has witnessed in the last five years has ever been equaled by any country on either side of the Atlantic, taking into consideration the sparsity of our population. During a part of this period there were organized over fifty national banks in twelve months. During the past year Texas led all the other States, with an increase of twenty-two national banks.

I notice from the last report of the Comptroller of the Currency that out of a total of two hundred and twenty-three national banks only two failures are reported for 1892. And I believe there are no bank cashiers from Texas in Canada.

There are in our State about four hundred banks, of which two hundred and twenty-five are national banks and one hundred and seventy-five are private and savings banks and trust companies.

According to the reports of the Comptroller of the Currency the aggregate capital, surplus, and undivided profits, and deposits of the national banks of Texas was shown to be as follows on the dates mentioned:

	Capital, surplus, and profits.	Deposits.
October 4, 1888	$15,000,000	$18,000,000
February 28, 1890	21,000,000	34,000,000
September 30, 1892	33,000,000	36,000,000

This shows an increase in 1888 and 1890 of six million dollars in the capital, surplus, and undivided profits, and sixteen million dollars in deposits in eighteen months; and between 1890 and 1892 an increase of twelve million dollars in capital, surplus, and profits, and two million dollars in deposits. Where is the State or country which can show such prosperity as this for its banking interests?

While it is impracticable to arrive at the great volume of business handled by the substantial private bankers of the State, we think it safe to say that they have enjoyed a proportionate share of growth and prosperity with the national banks, and the above figures in reference to national banks may be taken as a fair criterion by which to estimate the capital, surplus, profits, and deposits of the private banking interests of our State.

Apart from the great prosperity in many sections of the United States, we attribute the cause underlying this growth of our banking interests chiefly to the prosperity of Texas, brought on by excellent crops. The scarcity of money in the face of a large demand at high rates of interest, together with the safety of loans, owing to a thin population permitting close scrutiny of paper, has made Texas banking very profitable, except in a few instances where banks were organized by speculators for promoting purposes, and I am much pleased to note that this latter character of banks are receiving the attention of the Comptroller of the Currency, who most wisely proposes to adopt such a policy as will as far as possible prevent such banks in the future.

The usual rate of interest now prevailing in Texas is ten per cent, this being the constitutional limit allowed by contract, six per cent being the legal rate when not otherwise fixed by contract. Texas is to be congratulated on the healthy and vigorous condition of her banks to-day, the last report of the national banks made to the Comptroller in May last showing the best condition ever recorded by our banks in many years.

I now turn to a brief notice of the resources of Texas. "Texas, the largest State in the Union, contains 274,356 square miles, being much larger than France or England, or Pennsylvania, New York, Ohio, and Illinois combined." The soil of our State is universally characterized as being the most fertile and productive in the known world. It also possesses the greatest variety of soils. That of the southern

portion of the State, being composed of black loam or bottom-lands, is best adapted to the production of sugar and cotton, though the latter yields abundantly on the prairies and uplands. The fine coffee-colored soils of the prairies grow unequaled crops of wheat, barley, corn, oats, and all the cereals, while nature provides sustenance year after year for eight million head of cattle. The eastern part contains the finest forests of ash, bois d'arc, oak, cypress, walnut, and pine that can be found west of the Mississippi River. The average temperature for the year round is about sixty degrees, varying from about forty degrees in the winter to ninety degrees in summer, thus producing a climate only equaled by Italy. Over three-fourths of this vast territory is capable of the highest stage of agricultural and pastoral development. Texas produces to-day over one-fourth the entire cotton crop of the world, and could produce as much as is now raised in every other cotton State and country of the world. The undeveloped resources of this State are boundless and beyond computation. It inherits the essentials of both material and political greatness in an eminent degree; not even fertile France surpasses the empire State in the character of her productions. The mineral resources are boundless in extent and wonderful in richness.

Texas, while offering a fruitful field for future railroad operations, is already possessed of miles called into existence by the demands of her industrial, commercial, and agricultural needs. It is interesting to notice how she is supplied in this line, and the wonderful and almost marvelous growth and increase of the railroad interests of our State in the past twenty years. The total railroad-track mileage we find to have been seven hundred and eleven miles in 1870, three thousand two hundred and forty-four miles in 1880, six thousand three hundred and seventy miles in 1885, and in 1892 we had thirty-seven lines of railway with a track mileage of nine thousand two hundred and thirty-eight miles.

The population and taxable wealth of our State has also

increased in proportion with our railroad interests. In 1870 the population was 815,000, taxable wealth $145,000,000; 1880 the population was 1,591,000, taxable wealth $311,000,000; 1890 the population was 2,235,000, taxable wealth, $782,000,000; 1893 the population was 3,000,000, taxable wealth about one billion dollars.

EDUCATION.

The provision of our State for the education of her people is not only munificent but unequaled. In January, 1890, the permanent State school fund was seventeen million dollars, and county school fund over two million dollars. In addition to this there is set apart for the benefit of common schools about twenty-eight million acres of public lands, which are sold for the benefit of the permanent school fund at a minimum price of two dollars per acre, and will ultimately realize more than sixty million dollars. Our State University, located at Austin, Texas, has a permanent endowment of $630,000 and one million acres of lands.

The State College, located on the Houston & Texas Central Railroad near Bryan, Texas, is also largely endowed and equipped. The civil government of the State is well managed on economical principles, and we have as Governor in James S. Hogg one of the noblest and purest specimens of men to be found within the length and breadth of this Union. The total cash balance in our State Treasury on June 1st was over one million and a half of dollars. The bonded debt of the State is only about four million dollars, all of which is held by the State for benefit of her school fund. The family homestead is protected from forced sale for debt, and no mortgage or lien can be put on the homestead and it can not be sold except with the written consent of the wife. Current wages for personal services are not subject to garnishment. It is claimed for Texas over any other section that nowhere else is such diversity of production practicable, nor is there to be found a country possess-

ing more natural resources within its borders, nor one that can be made more nearly self-sustaining. It is claimed that nowhere else can as good land in as large quantities, as near to good markets, be had at as low prices, lands upon which can be successfully grown almost every production known in the markets of the world. It is claimed that no other country affords as healthy or a more genial climate. Outdoor work is practicable nine-tenths of the year. It is further claimed that no section offers as many attractions in the matter of low taxes, with the same probability of their continuing so, and that its schools and benevolent institutions are so liberally endowed as to insure the education of its children and care for its unfortunates without burden to its citizens.

The empire State of Texas extends a cordial invitation to the industrious and intelligent from all lands. What Texas requires and needs is population and more capital to develop its wonderful resources. I do not mean by capital money alone, but he who comes to our State, whose wealth is in his muscle or his brain, or better, in both, can come with an assurance that there is no place in this Union, that there is no land under the sun, that will yield him a richer harvest on his investment. We want capital, we want men of brain and muscle, we want almost every kind of a man except a politician; we are abundantly supplied with them. I know that capital is proverbially timid, but there is a question which has often suggested itself to me; it is this: Why should money which is freely loaned in Illinois, Iowa, and Kansas be refused to Texas, Arkansas, and Louisiana, as we know is often the case? What is it that causes this alarm? Is it our cotton? or our corn? or our sugar? It may be our *coal* and *iron*. I have always understood that business is business, and capital should be as unsectional as unsentimental. If you have the money to loan, we have a great country to develop, and you can make a profit off the development. When I say we need money, I do not mean the sort of money once demanded by an old Georgia

farmer, who in the early days went up to Milledgeville to see Gen. Robert Toombs, who was at the time a director of the State Bank. "Robert," says he, "the folks down our way air in need of more money." The profane Robert replied: "Well, how the devil are they going to get it?" "Why," says the farmer, "can't you stomp it?" "Suppose we do stomp it, how are you going to redeem it?" "Exactly, Robert, exactly; that was just what I was coming to. You see the folks down our way air agin redemption." We want good money, hard money, honest money, money that will redeem itself.

There is a point which relates to the safe investment of money in Texas on which I think I can express an opinion just here; that is the political stability involving questions of law and order in Texas. My opinion is that life and property are as secure in Texas as the New England States. I am certain that men are at least as safe in Texas as women are in Chicago. The idea prevailing among many of the Eastern and Northwest States that Texas is peopled by a lawless and uncivilized class is certainly a most erroneous and totally false idea. The society and intelligence of the people of Texas will average with the best and most refined of New York or Illinois, and life and property are as safe as in any State. I regret that we have not in our State the works of man to tell you of, as we hope to have a few years hence. We can not as yet tell you of large, thriving, and numerous manufactories.

The fact is Texas has been so busy opening up farms, surveying and trading in corner lots, and building houses to rent that it has taken little time in which to ascertain the real resources so plentiful on every hand. Wherever attempts have been made in manufacturing, under proper conditions, good money has been made. The manufacturing interests of our State are just beginning to increase and develop rapidly. The raw material is there. We have stores of supply as boundless as the supply of milk in the fabled pitcher that never went dry; our supply of hides is

limitless; we grow the best sugar-cane; we have dense and inexhaustless forests of pine, and our stores of minerals are marvelous; our possibilities in manufacturing are as fabulous as the wealth in the valley of diamonds where Sinbad the sailor fell. Let us imagine a time when Texas shall be a State not of two and one-half millions of people but of twenty millions, when we shall take our cotton from the farm to the factory, when we shall sell our wool not in Boston but at our own home factory, when our wheat is made into flour at our own door, when the bacon and lard consumed by our people comes out of their own larders instead of from Chicago and St. Louis, and our boots, shoes, and hats are made from the virgin materials in our own State. Then can it be said that the desert is blossoming as the rose, and the Lone Star State is the brightest in the galaxy of American commonwealths. I believe that this time will come, and I here in conclusion apply to Texas the words of the immortal Grady:

"I see Texas the home of twenty million people who rise up every day to call her blessed; her cities hives of industry and thrift, her country-sides the treasuries from which their resources are drawn, her streams vocal with whirling spindles, her valleys tranquil in the white and gold of harvest, her rulers honest and her people loving, her homes happy and their hearth-stones bright, her waters still and her pastures green, her conscience clear and her suffrage pure, her wealth diffused and poor-houses empty, her churches earnest and all creeds lost in the gospel; peace and sobriety walking hand in hand through her borders, honor in her homes, uprightness in her marts, plenty in her fields, straight and simple faith in the hearts of her sons and daughters, her two races walking together in peace and contentment, sunshine everywhere and all the time, night falling on her gently as from the wings of the unseen dove, and the whirling stars in their courses shall not look down on a better people or a happier land."

BANKING IN VERMONT.

By Mr. Robert J. Kimball of West Randolph.

THE growth and prosperity of Vermont is well shown in the history of banking in its different forms during the last thirty years. With only two cities of more than ten thousand inhabitants, and no seaport towns, and the institutions being organized and conducted by the citizens and in their own interest, there is no occasion for any with a large capital. Under the old system of State banks, the necessity of all circulating notes being redeemable at the old Suffolk Bank, Boston, in order to be current, compelled a certain amount of conservatism in all New England banks, and they also gained a standing that may be compared with the prestige which the banks now have by being admitted to a clearing-house association in the large cities. At that time the State law did not require deposits of bonds to secure circulation, but some years since it was made so that if the banks were permitted to issue notes they would have to deposit securities of a certain class, quite similar to the present national banking law.

In 1860 there were twelve savings banks in Vermont, with total amount due depositors in round numbers $1,100,000. In 1870 the total amount due depositors was $2,700,000. In 1880 (including trust companies, which do a savings business) there were twenty-one savings banks, and the total amount due depositors was $9,000,000. In 1892, including trust companies, there were thirty-six, with a total amount due depositors of $24,600,000. The savings institutions have not only contributed largely in aid of the people of the State, but have also a good share in the development of the West. Its own population has not increased materially,

but the census shows that its citizens born in the State and now living in other States, together with their children, are more in number than the present population of the State. The amount now loaned by the savings institutions on mortgages outside of the State exceeds nine millions of dollars. The amount invested in State, city, county, and town bonds, mostly outside of the State, is about seven millions of dollars.

When the national bank act became a law the State banks of deposit and issue were all very soon reorganized under that law. The first national banking association organized in the State was the First National Bank of Springfield, with a capital of $50,000. The total number of banks organized in the State to date is sixty-five, of which four have been placed in the hands of receivers, ten have gone into voluntary liquidation, and two have passed out of the system by the expiration of their corporate existence, leaving in operation at the date of the last report to the Comptroller of the Currency, May 4, 1893, forty-nine active associations, with capital and surplus of about ten millions of dollars. The capital stock of the four associations placed in the hands of receivers amounted to $500,000. Of these associations two paid dividends to the amount of one hundred per cent, and also interest dividends at the same rate; one paid eighty and one-fourth per cent, and the fourth twenty-five per cent. In the last case it is probable that further dividends will be paid. The charters of many of the national banks will expire within the next few years, and although the present law for State banks provides for security of circulation, a repeal of the tax, which would permit it, would not meet with favor throughout the State, but a proposition for the United States Government to issue a long bond, say fifty years, at two per cent, as a basis for bank circulation would probably receive unanimous support. At the last session of the Legislature the laws allowing days of grace were repealed, so that now a note

drawn payable in thirty days does not mean thirty-three days.

The institutions are carefully managed, and in a prosperous condition, profitable to their stockholders and an honor to the State.

BANKING AND RESOURCES OF WYOMING.

By Hon. Henry A. Coffeen of Sheridan.

As representative of the State of Wyoming in this World's Congress of Bankers and Financiers I can bring to you but little of interest regarding the special features of banking in our State. Wyoming is the youngest of the States, and has accepted nearly all of its features in banking from the older States. Regarding its resources much might be said, as they are prospectively very great. In iron, soda, petroleum, and coal our resources are marvelous. In precious metals we are midway between the more largely developed mines of Colorado and Montana, and no one is daring enough to deny but that the resources of Wyoming when extensively prospected and developed may contain the same mineral wealth that enriches our bordering States.

But a more interesting and vital question to the people of Wyoming is this: If money of intrinsic value qualities is to be the money of ultimate redemption, if the specie basis of paper money is to be maintained in the future as in the past by the great banking interests of the world, then shall we strengthen or weaken that base, shall we broaden or contract the metallic foundations of the currency of civilization? Shall we eliminate and demonetize one-half of the metallic and specie basis of paper money, and then expect the people of our State and country to have same confidence in the integrity of our national finances as they could if the old standard foundations were maintained?

It is all very well to cry out to the people, "Have more confidence," but if at the same time you seek to take away from them the half, and more abundant and sure half, of

their specie basis and intrinsic value foundations of money, how can you expect them to maintain either confidence in you or the monetary system you advocate? Confidence in any system of financial legislation among a free people must have an intelligent basis. The principles of finance must be clear and well-grounded in the convictions of the people, and the people of Wyoming are no exception to the rule. We know in Wyoming that the appreciation of the dollar, our national monetary unit, is the depreciation of every species of our products and property, excepting that little item of gold. We do not have to guess at this, for money measures the price of all things else, and to appreciate the standard of measure must necessarily depreciate all that is measured. If you lengthen the yard-stick you shorten the number of yards in any piece of cloth measured by it.

To discuss the appreciation and depreciation of gold and silver, he is not yet qualified to discuss the question before such an intelligent body as this who ignores the element of demand and only considers the element of supply. To demonetize silver and cut off all demand for it as a money metal is at once to seriously derange and lower the price, and then to turn round with the argument that the low price of silver as a commodity, with its chiefest demand cut off, is a reason for cutting off its use, a reason for perpetuating its demonetization, is a folly that would not be indulged in any body of American citizens where self-interest is subjugated to reason and fairness. That European countries have discarded the use of silver in part is no reason why the American Government should do so, any more than that a creditor should seek to bind a debtor to a more expensive form of payment is a reason that the debtor should clamor for the same thing. The true and just relation between creditor and debtor is maintained by keeping a uniform volume, and therefore a uniform value, of currency in circulation. Whoever seeks to interfere with this is either ignorantly or intentionally seeking to interfere with the equities

of the contracts of the world, and therefore substituting injustice for justice. How can this body, then, favor striking down half the money metal of the world, which necessitates, to be consistent, cutting down also one-half the superstructure of paper money resting thereon? And to shorten the money supply of the world one-half is to force an iniquity upon the industrial interests that is greater than any other calamity that can befall civilization. To accomplish this by slow graduations may induce mankind to submit to it with less danger of successful resistance, but the aggregate of injustice is the same in the end. But to speak more particularly to Americans and of America. As a national policy, when we find our resources in silver-mining very great, how foolish indeed it must seem for us to enter upon a policy of cutting off silver as a money metal.

In ancient days great armies have been collected and wars carried on to obtain possession and control of mines of the precious metals. And behold here in our country a crusade organized for the exact opposite, a crusade to destroy the value of our own mines. This crusade would not be so dangerous to the American people if it did not interfere with the supply of good legal-tender money, and therefore depress prices, discourage industries, and destroy the hopes of prosperity among the people. The bankers of our country should be slow to place themselves in opposition to the general welfare.

Every great institution in the world's history that has allowed its self-interests to carry it forward into direct antagonism with the prosperity and well-being of society has ultimately been overthrown, and it is one of the necessities of mankind's existence that it should be so. The people must live, and justice must live too. I warn you, therefore, not only from the standpoint of equity and patriotism, but also from the standpoint of ultimate maintenance of your own self-interest, that you do not too far press the fight against either of the old standards and reliable money metals of the world.

There is an awakening of the people throughout the civilized world to the necessities of a broader basis and fuller volume of legal-tender money with which mankind can carry forward the work and obligations of this enlightened age and feed and clothe itself with both the material and spiritual comforts requisite to its highest existence. Let us not plant ourselves in the way of the world's progress. Let us, on the other hand, show ourselves in the great march of civilization worthy of both confidence and honor for the bold stand we take for absolute equity between the world's workers and the world's money dealers.

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